Sample Question Papers for Certificate Course on Ind AS

The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)
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Sample Question Paper
Certificate Course on Ind AS Examinations in India

Total No. of Questions: 39 | Total No. of printed pages: 9
Total Marks: 100 | Time Allowed: 3 Hours

All the questions are compulsory. Question No. 1 to 30 carry 1.5 marks each, Question No. 31 to 37 carry 5 marks each and Questions 38 to 39 carry 10 marks each.

PART - A
OBJECTIVE TYPE QUESTIONS
(30 Questions x 1.5 marks each = 45 marks)

State the correct answer for each of the following statements

Q1. Manufacturer or dealer lessor shall recognize the selling profit or loss for _____.

a) Economic loss
b) operating lease
c) outright sale
d) finance lease

Q2. If payment of an item is deferred, the consideration received is recognized initially at the _____.

a) Fair value of assets given
b) fair value of assets received
c) cash price equivalent
d) amount of consideration

Q3. As per Ind AS 106, 'exploration and evaluation assets' are exploration and evaluation expenditures recognized as assets in accordance with _____

a) Ind AS 106

b) the entity's previous GAAP
c) the entity's accounting policy
d) the regulator

Q4. Ind AS-12 does not require or permit _____ of deferred tax assets and liabilities.

a)Discounting

b) calculation
c) Accounting
d) assessment

Q5. Entity-specific value is the _____ of the cash flows an entity expects to arise from the continuing use of an asset and from its disposal at the end of its useful life or expects to incur when settling a liability.

a) Fair value
b) replacement value
c) present value
d) current value

Q6. If payment of property, plant and equipment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognized as interest over the period of credit unless such interest is _____. a)Deferred

b) capitalized
c) expenses at the end of life
d) treated as income

Q7. _____ is the earlier of the date of the lease agreement and the date of commencement by the parties to the principal provisions of the lease.

a) Commencement of lease
b) inception of lease
c) renewal of lease
d) term of lease

Q8. To the extent that an entity borrows funds specifically for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalisation as the _____ incurred on that borrowing during the period.

a) Capitalization rate
b) 10% of cost of asset
c) No borrowing cost
d) Actual borrowing cost

Q9. Ind AS 8 does not apply to changes in accounting policies until after it presents its _____.

(a) End of comparative
(b) first Ind AS financial statement
(c) date of transition financials
(d) previous GAAP financial statement

Q10. A first-time adopter shall measure investment in subsidiaries, joint ventures and associates in its separate statement of financial position at cost determined in accordance with Ind AS 27; or _____.

(a) Previous GAAP carrying amount at the end of comparative period
(b) fair value at the end of comparative period
(c) deemed cost
(d) realizable value

State whether the following statements is true or false (with reasons)

Q11. Inventories comprising agricultural produce that an entity has harvested from its biological assets are measured on initial recognition at their fair value at the point of harvest.

Q 12. A change in estimate does not warrant restating the financial statements of a prior period.

Q 13. As per Ind AS 27, an entity is allowed, in its separate financial statements, to account for investment in subsidiaries at market value.

Q 14. Cash flows arising from changes in ownership interests in a subsidiary that do not result in a loss of control shall be classified as cash flows from investing activities.

Q 15. Underlying principle behind accounting for finance lease is matching principle.

Q16. Revenue shall be measured at the fair value of the risk or rewards received or receivable.

Q 17.Multi-employer plan are defined contribution plans or defined benefits plan that pools the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity.

Q 18. A hedge of the foreign currency risk of a firm commitment may be accounted for as a fair value hedge or a cash flow hedge.

Q 19.Some customer relationships can meet the definition of an intangible asset. Such customer relationships can be recognized as an intangible asset in the financial statements.

Q 20. Unearned finance income is the difference between the gross investment in the lease and Minimum lease payment.

Calculate the correct amount in each of the following statements:

Q 21. As per IND AS 20, the government grant of Rs50,000 received against an asset of Rs 1,00,000 should be recognised in the financial statement as :

(a) Deduction of Rs50,000 from Rs 1,00,000 cost of asset and balance to be depreciated accordingly
(b) Rs50,000 to be deferred in profit and loss (c)Either (a) or (b) (d)None of the above.

Q 22. Leco Ltd. has a plant with a carrying amount of Rs. 85,000 as on March 31, 2015. Useful life is 10 years of which 4 years remain as on the date. The company decides to revalue the plant to Rs. 150,000 on March 31, 2015 and recognize revaluation reserve of Rs. 65,000. Calculate depreciation to be accounted for in the statement of profit or loss.

(a)Rs. 25,000
(b)Rs. 35,000
(c) Rs. 37,500
(d) Rs. 16,250

Q 23. At 31 March 20X1, an entity is pursuing a claim against an insurance company through legal processes. The court is expected to rule in late March 20X2. At the reporting date (31 March 20X1) the outcome of the case is uncertain. The entity's lawyers believe there is a 70 per cent chance that the entity will win the case.

Furthermore, they believe that there is a 20 per cent chance that the entity will be awarded Rs. 200,000 (the amount sought by the entity) and an 80 per cent chance that the entity will be awarded Rs. 100,000 (the amount that was recently awarded by the same judge in a similar case). Other outcomes are unlikely.

A 7 per cent risk adjustment factor to the probability-weighted expected cash flows is considered appropriate to reflect the uncertainties in the cash flow estimates.

An appropriate discount rate is 10 per cent per year.

At 31 March 20X1 the entity:

(a)recognises an asset measured at Rs.100,000.
(b)recognises an asset measured at Rs.84,000.
(c) recognises a contingent asset measured at Rs. 81,709.
(d) discloses a contingent asset (and does not recognise an asset in its statement of financial position).

Q 24. A acquires 27% of the voting shares of B on April 1, 2014. The purchase consideration was Rs. 20 crore, and A has significant influence over B. The retained earnings of B were Rs. 5 crore at the date of acquisition, and the A group has several other subsidiaries. The retained earnings of B at March 31, 2015, were Rs. 10 crore. Calculate the carrying value of the investment in B in the group financial statements at March 31, 2015.

(a) Rs. 24.5 crore
(b) Rs. 35 crore
(c) Rs. 21.35 crore
(d) Rs. 25 crore

Q 25. AB Ltd. acquires a brand of shampoo at value of Rs. 1,50,00,000 on April 1, 2014. The contract allows AB Ltd. to use this brand for a period of 10 years. However, at the end of 10 years, AB Ltd. has right and also intention to extend this contract for a period of another 5 years. The extension will be without any significant costs. Calculate the carrying value of the brand as on 31 March 2015.

(a) Rs. 1,50,00,000
(b) Rs. 1,47,50,000
(c) Rs. 1,49,00,000
(d) Rs. 1,40,00,000

Q 26. An entity is preparing its financial statements for the year ending November 30, 20X8. Certain items of plant and equipment were scrapped on January 1, 20X9. At November 30, 20X8, these assets were being used in production by the entity and had a carrying value of Rs.5 crore. The value-in-use of the asset at November 30, 20X8, was deemed to be Rs.6 crore, and its fair value less costs to sell was thought to be Rs. 50,000 (the scrap value).What is the recoverable amount of the plant and equipment at November 30, 20X8?

(a) Rs. 5 crore
(b) Rs. 4.5 crore
(c) Rs. 6 crore
(d)Rs. 5.5 crore

Q 27. PSL Ltd takes a machine on lease of 1 year for a rent of Rs. 120,000 per annum. Further, there is a contingent rent of Rs. 50,000. Also, PSL Ltd has guaranteed a residual value of Rs. 500,000. Calculate minimum lease payments as per Ind AS 17.

(a) Rs. 170,000
(b) Rs. 120,000
(c) Rs. 670,000
(d) Rs. 620,000

Q 28. P Company has purchased equity shares of Typhoon Ltd. at a cost of Rs. 12,00,000, which also happens to be its fair value. It has classified this financial instrument as fair value through profit or loss. Also, for purchase of the shares, P Company has incurred

directly attributable acquisition cost of Rs. 50,000. Calculate the amount to be recognized at initial recognition of the equity shares as per Ind AS 109.

(a) Rs. 12,50,000
(b) Rs. 11,50,000
(c) Rs. 12,00,000
(d) Option of (a) or (c)

Q 29. An entity enters as lessee into a two-year lease in respect of a machine that has a fair value of CU16,000 and an economic life of four years with nil scrap value. Rent of CU8,500 per year is payable yearly in advance. The lessee holds an option to acquire the machine for CU1.

The option is exercisable at the end of the lease term, when the fair value of the machine (estimated at the inception of the lease) is expected to be CU6,000. At the commencement of the lease term, the lessor would:

(a) derecognise the machine and recognise a lease receivable of CU16,000.
(b) continue to recognise the carrying amount of the machine subject to the lease as an item of property, plant and equipment.

Q 30. On 1 April 2014 an entity acquired a patent for Rs.700,000. At 31 March 2015 management:

- assessed the patent's useful life at 6 years from the date of acquisition
- assessed that the entity will consume the patent's future economic benefits evenly over 6 years from the date of acquisition
- assessed the fair value of the patent at Rs. 600,000.

The entity shall measure the carrying amount of the patent on 31 March 2015 at:

(a) Rs. 700,000.
(b) Rs. 600,000.
(c) Rs. 583333.33.
(d) None of the above.

PART – B

DESCRIPTIVE QUESTIONS

Answers should be given in 5-10 sentences

(7 Questions x 5 marks each = 35 marks)

Q 31. Net profit available for ordinary shareholder of entity A for the financial year 2014-15: USD 3500 The ordinary shares as on April 1, 2014 were 800.

On July 1, 2014, entity offered right issue to existing shareholders of one share to every 5 shares held at USD 6 per share.

The market value of per share is USD 10. Calculate the basic and diluted EPS for 2014-15.

Q 32. On 1 April 2014, ABC purchased an option to acquire a share in PQZ, a listed entity. ABC paid Rs. 25 for the option, which allows ABC to purchase a share in PQZ for a price of Rs. 2,000 per share. The exercise date for the options was 31 December 2014. On 31 December 2014, when the market value of a share in PQZ was Rs. 2,500, ABC exercised its option to acquire shares in PQZ. In addition to the purchase price, ABC incurred directly attributable acquisition costs of Rs. 100 on the purchase of share in PQZ. ABC regarded the shares it purchased in PQZ as part of its trading portfolio. Calculate the carrying value of share of PQZ and give the treatment of options in the books of ABC on 31 December 2014.

Q 33. On 1 April 2012, RFD Ltd. had granted share appreciation rights to 100 senior executives. Each executive will receive 1,000 rights on 31 March 2015 provided he or she continues to be employed by RFD Ltd. at that date. On1 April 2012, the directors estimated that all the executives would remain employed by RFD Ltd. for the three-year period ending on 31 March 2015. However, 20 executives left in the year ended 31 March 2013 and at that date, the directors believed that a further 10 executives would leave in the following two years. 10executives actually left in the year ended 31 March 2014 and the directors now believe that 20 more directors will leave in the year ended 31 March 2015. Since 1 April 2012, the fair value of the share appreciation rights has fluctuated as follows:

Date	Fair Value of a right (in Rs.)
01 April 2012	160
31 March 2013	180
31 March 2014	174

Calculate the following:

a) Liability as on 31 March 2014
b) Presentation of Liability
c) Charge to Statement of Profit and Los

Q 34. Director of Company A informs the Company that on 1 January 2014 his spouse has acquired a controlling interest in one of the major suppliers of the Company, Entity S. The purchases from Entity S were Rs. 15 million for each month of the year ended 31 March 2014 and this is a significant amount for Company A. All the purchases from Entity S were made at normal market rates. Identify any impact on the financial statements for the year ended 31 March 2014 in the books of Company A.

Q 35. Define 'Puttable Instrument' as per Ind AS 32 Financial Instruments: Presentation

Q 36. Explain the concept of 'Control' as per Ind AS 110

Q 37. On 1 April 2013ABC Ltd. purchased 10 new machines for Rs12 million each. Each machine had an overall estimated useful economic life of 10 years. The estimated residual value of each machine was zero. Each machine will require a substantial overhaul after five years in order to maintain its operating capacity and the cost of such an overhaul at1 April 2013 prices was Rs3 million per machine. In the year ended 31 March 2014ABC Ltd. charged total depreciation of Rs12 million on the machines but the directors have subsequently realised that this may have been an error that could have a material impact on the financial statements.

Required: Produce extracts, with supporting explanations, from the statements of profit and loss for the years ended 31 March 2014 and 2015 that show how the transaction will be reflected in the financial statements of ABC Ltd.

Ignore deferred Tax.

PART – C
CASE STUDY

(2 Questions x 10 marks each = 20 marks)

Q 38. Entity A operates a number of different farms.

a. The CFO of entity A believes that Ind AS 41 applies to the entity. In her opinion, given that we have Ind AS 41, other Ind AS do not apply to farming entities. Give your views on the same.

b. Explain the main recognition and measurement requirements of Ind AS 41 – including that of biological assets, bearer plants and agricultural produce.

c. Also, mention treatment of grants from the government under Ind AS 41 as compared to the treatment under Ind AS 20.

Q 39. Explain the following in relation to deferred taxes as per Ind AS 12:

(a) Deferred Tax on Foreign Currency Translation Reserve arising due to investments in subsidiaries

(b) Deferred Tax on Land, in Indian Tax Scenario, held for long-term

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PART - A
OBJECTIVE TYPE QUESTIONS

(30 Questions x 1.5 marks each = 45 marks)

State the correct answer for each of the following statements

Q1. As per Ind AS 101, the mandatory exceptions to the retrospective application of Ind AS is for the following :

(e) Estimates, Derecognition of financial assets and financial liabilities, Hedge accounting, Non-controlling interests.
(f) Estimates, Non-controlling interests, business combination and insurance contracts
(g) Derecognition of financial assets and financial liabilities, borrowing costs and leases
(h) Severe hyperinflation, Share-based payment transactions, Insurance contracts and Fair value or revaluation as deemed cost

Q2. An entity shall explain how the _____ from previous GAAP to Ind AS affected its reported financial position, financial performance and cash flows.

(e) Adoption
(f) Convergence
(g) Application
(h) Transition

Q3. _____ are the rights to deprive the decision maker of its decision-making authority.

e) Protective rights
f) Removal rights

g) Substantial rights
h) Potential voting rights

Q4. Fair value is the price that would be _____ to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the _____date.

e)Estimated, measurement

f) Contracted, reporting
g) Received, measurement
h) Received, reporting

Q5. Government grants, including non-monetary grants at fair value, shall not be recognised until there is _____ that (a) the entity will comply with the conditions attaching to them; and (b) the grants will be _____.

e) reasonable assurance, received
f) significant probability, highly probable
g) reasonable confirmation, probable
h) genuine reasons to believe, highly probable

Q6. An entity shall measure the loss allowance for a financial instrument at an amount equal to the _____expected credit losses if the credit risk on that financial instrument has _____significantly since initial recognition.

e) 12 months, increased
f) lifetime, increased
g) extent applicable period's, changed
h) 90 days, impacted

Q7. In case there is a change in functional currency of any entity, it would require to apply the translation procedure applicable to new functional currency

e) prospectively
f) retrospectively
g) by restating the comparative financials
h) by disclosure in notes to accounts

Q8. A _____ entity is an entity whose control is not decided by voting or similar rights and whose relevant activities are directed by means of contractual arrangement.

e) Non-structured
f) Investment
g) Structured
h) Joint venture

Q9. An entity shall account for each business combination by applying the _____method.

e) Fair value
f) Purchase
g) Acquisition
h) Net Assets

Q10. _____ is the market that maximises the amount that would be received to sell the asset or minimises the amount that would be paid to transfer the liability, after taking into account transaction costs and transport costs.

e) Prinicipal market
f) Active market
g) Best market
h) Most advantageous market

State whether the following statements is true or false (with reasons)

Q11. In previous years an entity recorded a provision for guarantees, based on the formula of 5% of total sales. During the current year due to the fact that the administration realized that the actual expenditure was higher than the provision in the last three years, the company re-evaluated policy provision to 10% of total sales year and accounted for such change as prior period errors.

Q12.For the purpose of assessment of power over an investee, both substantive rights and protective rights shall be considered.

Q13. A provision shall be recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation

Q14.In service concession agreements, the operator shall recognise the right to charge users of public service as financial asset in its books of accounts.

Q15. As per Ind AS 40, An entity is required to disclose fair value of all its investment properties.

Q16. Foreign currency is a currency other than the local currency of the entity.

Q17. As per Ind AS 27, an entity is allowed, in its separate financial statements, to account for investment in subsidiaries in accordance with Ind AS 109.

Q18. Preference shares having a mandatory redemption feature at a future date is a financial liability and not equity.

Q19. In Statement of Profit and Loss, X Ltd is presenting its EPS inclusive and exclusive of extraordinary items for better reporting of its financials.

Q20. Total comprehensive income is the change in equity during a period resulting from transactions and other events with owners in their capacity as owners.

Select the correct answer in each of the following statements:

Q21. A joint arrangement whereby the parties that have joint control of the arrangement and have rights to the assets, and obligations for the liabilities, relating to the arrangement is called:

(e) Joint operation
(f) Joint venture
(g) Joint arrangement
(h) Joint control

Q22. Recoverable amount is higher of

(c) Fair value and value in use net of disposal
(d) Fair value less cost of disposal and value in use
(e) Realisable value and value in use
(f) Replacement cost and Fair value

Q23. Exchange Ltd has a functional currency of INR. Entity elects a presentation currency of Euro. Entity has made a borrowing in Japanese Yen for 1 million JPY. The translation of JPY loan in to INR resulted in exchange loss of 100 and translation from INR to Euro resulted in exchange loss of 50. The exchange differences will be dealt in:

(e) 100 will be debited in Profit and loss and 50 in Other comprehensive income
(f) 150 will be debited in Profit and loss
(g) 150 will be debited in Other comprehensive income
(h) 50 will be debited in Profit and loss and 100 in Other comprehensive income

Q24. X Ltd acquired 30% stake of Y Ltd on 1 April 2015 at Rs. 700,000. This leads to X Ltd having significant influence on Y Ltd. Since the date of acquisition till 31 March 2016, Y Ltd has earned a profit of Rs. 500,000. Also, on 31 March 2015, Y revalued its property by Rs. 2,00,000 and accounted for it in the revaluation reserve. Calculate the carrying value of X Ltd's investment in Associate in its consolidated books of accounts as on 31 March 2016.

(e) Rs. 7,60,000
(f) Rs. 8,50,000
(g) Rs. 9,10,000
(h) None of the above

Q25. At the date of transition to Ind AS, an entity may elect to measure its property, plant and equipment at:

(e) Fair Value at the date of transition
(f) Previous GAAP revalued amount
(g) Carrying value as per previous GAAP, when there is no change in functional currency of the entity
(h) Either (a) ,(b) or (c)
(i) Either (a) or (b)

Q26. Hari Ltd sells car for Rs 350,000 to a customer and gives three year free servicing as an initiative to increase brand's goodwill. The fair value of such servicing for three years would be Rs 30,000. What amount of revenue should company recognise in the books of accounts at the time of sale:

(e) Rs 350,000
(f) Rs 320,000
(g) Rs 380,000
(h) None of the above.

Q27. Thomas Ltd takes a heavy crane on lease of 1 year at an annual rental of Rs. 240,000. An additional rent of 50,000 may arise upon happening of some event contingent and there is a fixed monthly maintenance charges of Rs. 1,000. Also, Thomas Ltd has guaranteed a residual value of Rs. 200,000. Calculate minimum lease payments as per Ind AS 17.

(e) Rs. 502,000
(f) Rs. 452,000 (g)Rs. 302,000
(h)Rs. 440,000

Q28. On 1 Apr 2015, an entity had 25,000 ordinary shares in issue of which it holds 3,500 as treasury shares. On Dec 1, 2015, the Entity issues 1,000 new shares for cash and purchases an additional 2,500 of its own shares for cash to hold as treasury shares.

Profit after tax attributable to ordinary holders of the parent for the year ending Mar 31, 2016 was Rs. 500,000. What is the EPS in the CFS of that entity?

(e) 26.03
(f) 21.51
(g) 23.81
(h) 25.63

Q29. X ltd has carrying value of Interest receivable of Rs. 100 in the books of account. The tax

rate applicable to entity is 30%. The related interest revenue will be taxed on a cash basis. What will be the tax consequence of this transaction as per Ind AS 12?

(e) Current tax expense of Rs. 30
(f) Deferred Tax Asset of Rs. 30
(g) Deferred Tax Asset of Rs. Nil
(h) Deferred Tax Liability of Rs. 30

Q30. On 1 January 2015, Insect Ltd. borrowed 50 lakh at an interest rate of 12% p.a to finance the costs of construction of factory building. Construction commenced on 1 January 2015 and cost 50 lakh. Not all the cash borrowed was used immediately, so interest income of 75,000 was generated by temporarily investing some of the borrowed funds prior to use. The project was completed on 31 October 2015. What is the carrying amount of the building at 31 October 2015?

(e) 5,500,000
(f) 5,425,000
(g) 5,575,000
(h) 5,420,000

PART – B

DESCRIPTIVE QUESTIONS

Answers should be given in 5-10 sentences

(7 Questions x 5 marks each = 35 marks)

Q31. (i) Define Control with reference to Ind AS 110.

(ii) What is meant by relevant activities and highlight some examples of relevant activities.

Q32. (i) What is meant by Cash Settled and Equity settled share based payment transaction?

(ii) On 1 April 2014, Rama Ltd had granted share appreciation rights to 200 employees. Each employee will receive 2,000 rights on 31 March 2017 provided they continue to be in employment by that date. On 1 April 2014, the company estimated that all employees would remain employed for the three-years ending on 31 March 2017. However, 10 employees left in the year ended 31 March 2015 and at 31 March 2015 the management believes that a further 10 would leave in the following two years. 5 employees actually left in the year ended 31 March 2016 and the management now believe that 7 more will leave in the year ended 31 March 2017.

Since 1 April 2012, the fair value of the share appreciation rights has fluctuated as follows:

Date	Fair value of one right Amount in Rupees
1 April 2014	2
31 March 2015	3
31 March 2016	4

Show your calculations to determine the expense and liability to be recognized in FY 2015 and FY 2016.

Q33. When an asset needs to be impaired. Which are those assets whose impairment testing is required irrespective of indications of impairment?

Q34. What is meant by Adjusting and Non Adjusting Events and explain treatment of both in financial statements.

Q35. What should be treatment of expenditure on intangibles in research and development phase. When an Intangible asset from development phase will be recognized?

Q36. Where other comprehensive income should be presented in financial statement? Highlight any five items of other comprehensive income.

Q37. Explain any three optional exemptions given in Ind AS 101.

PART – C - CASE STUDY

(2 Questions x 10 marks each = 20 marks)

Q38. (i) Define Business Combination.

(ii) Cyber Ltd prepares consolidated financial statements to 31 March each year. On 1 Apr 2013, Cyber acquired 70% of the equity shares of Wiper and gained control. Wiper has 10 lakhs equity shares in issue. On 1 April 2013, Cyber issued 2 shares for every 3 shares acquired in Wiper. On that date, the market value of an equity share in Cyber and Wiper was Rs. 8 and Rs. 7 respectively.

On acquisition date, the carrying values of the identifiable net assets of wiper were 65 lakhs. On 1 Apr 2013, the fair values of the net assets were 80 lakhs. The rate of deferred tax to apply to temporary differences is 30%.

On 31 Mar 2014, Cyber will make a cash payment of 90 lakhs to the shareholders of wiper who sold their shares on 1 Apr 2013. The incremental rate of borrowing for Cyber is 13%.

On 31 December 2015, Cyber may make a cash payment of 100 lakhs to the shareholders of Wiper who sold their shares to Cyber on 1 January 2014. This payment is contingent upon the profit of Cyber growing by 15% over the two-year period from 1 January 2014 to 31 December 2015. On 1 Apr 2013, the fair value of such consideration was 90 lakhs and on 31 Mar 2014, it was 80 lakhs.

During the year ended on 31 Mar 2014, Wiper had a poorer than expected operating performance. Therefore on 31 Mar 2014, Cyber has to recognise an impairment of the goodwill arising on acquisition of Wiper, amounting to 15% of its total computed value.

Compute Non controlling interest and goodwill as per both methods prescribed in Ind AS 103 in consolidated financial statements. Also determine goodwill at reporting date after impact of impairment if any.

Q39. (a) When an entity shall classify an asset as a non-current asset held for sale?

(b) Star Limited purchased a property for 600,000 on 1 April 2013. The useful life of the property is 15 years. The company is following cost model for its Property, Plant and Equipment. On March 31, 2015, The management of Star Limited decided that the property is to be classified as held for sale. The company is running in to losses and there is an indication for impairment was existing. While impairment testing as on Mar 31, 2015, the recoverable value based on value in use of the property was estimated to 470,000.

The Fair Value less Cost to Sell on March 31, 2015 was Rs. 4,60,000. The management changed the plans to sale such property on Mar 31, 2016 and the property no longer meets the criteria to be classified as held for sale.

There is no change in the useful life of the property at any point. The recoverable value as at Mar 31, 2016 was 5,00,000.

As a CFO of Star Limited, Show how the property would be accounted for in FY 2014-15 and FY 2015-16 with the relevant values and calculations.

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PART - A
OBJECTIVE TYPE QUESTIONS

(30 Questions x 1.5 marks each = 45 marks)

State the correct answer for each of the following statements

Q1. _____ comprises the processes of growth, degeneration, production, and procreation that cause qualitative or quantitative changes in a biological asset as per Ind AS 41.

i) agricultural activity
j) agricultural produce
k) biological transformation
l) biological asset

Q2. As per Ind AS 101, The beginning of the earliest period for which an entity presents full comparative information under Ind ASs in first Ind AS financial statements is called i)opening Ind AS balance sheet

j) first Ind AS financial statement
k) date of transition
l) first Ind AS reporting period.

Q3. As per Ind AS 102, For options with a reload feature, the reload feature shall be accounted

i) as a new option grant
j) as an adjustment in the fair value of original options granted
k) as an adjustment in the number of original options granted
l) as a non-vesting condition

Q4. A provision should be recognised only when there is a

i) past obligation
j) present obligation
k) future obligation
l) possible obligation

Q5. As per Ind AS 104, liability adequacy test is required to be done

i)annually.

j) regularly i.e. every 3 to 5 years.
k) at each reporting date.
l) only when there is an indication that recognized insurance liability may not be adequate

Q6. As per Ind AS 105, Operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity is called as i)

component of an entity

j) cash-generating unit
k) disposal group
l) operating segment

Q7. As per Ind AS 106, an entity shall classify exploration and evaluation assets as _____

i)Intangible assets.

j) Tangible or Intangible assets.
k) Tangible assets.
l) current assets

Q8. As per Ind AS 107, market risk comprises three types of risk:

i) currency risk, interest rate risk and other price risk.
j) credit risk, currency risk and interest rate risk.
k) credit risk, currency risk and liquidity risk.
l) currency risk, interest rate risk and liquidity risk

Q9. A financial asset shall be measured at _____ if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(i) amortised cost
(j) fair value through profit or loss
(k) fair value through other comprehensive income
(l) held to maturity

Q10. A joint venturer shall account for its interest in a joint venture using

(i) proportionate consolidation method
(j) equity method
(k) either (a) or (b)
(l) full consolidation method

State whether the following statements is true or false (with reasons)

Q11. Under Ind AS 1, a complete set of financial statement comprises of, among other things, a balance sheet as at the beginning of the preceding period when an entity applies an accounting policy retrospectively

Q 12. As per Ind AS 12, a deferred tax asset shall be recognized for all taxable temporary differences, except for certain items specified therein.

Q 13. Under revaluation model of Ind AS 16, annual revaluation is required for all property, plant and equipment accounted for under that model.

Q 14. As per Ind AS 24, brother of a person's spouse is considered as "close members of the family of a person"

Q 15. As per Ind AS 27, an entity is allowed, in its separate financial statements, to account for investment in subsidiaries at cost.

Q16. As per IAS 32, a puttable financial instrument includes a contractual obligation for the holder to repurchase or redeem that instrument for cash or another financial asset on exercise of the put.

Q 17.As per Ind AS 36, an entity shall test tangible assets not yet available for use for impairment on annual basis.

Q 18. As per Ind AS 103, although businesses usually have outputs, outputs are not required for an integrated set to qualify as a business.

Q 19.Some customer relationships can meet the definition of an intangible asset. Such customer relationships can be recognized as an intangible asset in the financial statements.

Q 20. As per Ind AS 40, An entity is required to disclose fair value of all its investment properties.

Calculate the correct amount in each of the following statements:

Q 21. ABC Company operates a production line which is treated as a cash-generating unit for impairment review purposes. As at 31 March 2015, the carrying amounts of assets are as follows:

Goodwill	Rs. 50,000
Plant and machinery	Rs. 200,000
Total	Rs. 250,000

The recoverable amount is estimated at Rs. 175,000. According to Ind AS 36, calculate the revised carrying amount of assets.

(i) Goodwill – Rs. 35,000, Plant and machinery – Rs. 140,000
(j) Goodwill – Rs. 50,000, Plant and machinery – Rs. 125,000
(k) Goodwill – NIL, Plant and machinery – Rs. 175,000
(l) Goodwill – Rs. 13,500, Plant and machinery – Rs. 161,500

Q 22. DEF Ltd. has a computer with a carrying amount of Rs. 40,000 as on March 31, 2015. The tax base of the same is Rs. 26,214. Useful life is 10 years of which 4 years remain. Depreciation under tax laws is 20% on written down basis. The company decides to revalue the computer to Rs. 50,000 on March 31, 2015 and recognize revaluation reserve of Rs. 10,000. There is no change in tax base of computer due to revaluation. Calculate deferred tax balance as on March 31, 2015 on this computer. Assume tax rate of 50%.

(i) Deferred Tax Liability of Rs. 11,893
(j) Deferred Tax Liability of Rs. 6,893
(k) Deferred Tax Asset of Rs. 11,893
(l) Deferred Tax Asset of Rs. 6,893

Q 23. XYZ Ltd. has a plant with a carrying amount of Rs. 60,000 as on March 31, 2015. Useful life is 10 years of which 4 years remain as on the date. The company decides to revalue the plant to Rs. 100,000 on March 31, 2015 and recognize revaluation reserve of Rs. 40,000. Calculate depreciation to be accounted for in the statement of profit or loss.

(i) Rs. 15,000
(j) Rs. 25,000
(k) Rs. 6,000
(l) Rs. 10,000

Q 24. P Company has purchased equity shares of Typhoon Ltd. at a cost of Rs. 12,00,000, which also happens to be its fair value. It has classified this financial instrument as fair value through profit or loss. Also, for purchase of the shares, P Company has incurred directly attributable acquisition cost of Rs. 50,000. Calculate the amount to be recognized at initial recognition of the equity shares as per Ind AS 109.

(i) Rs. 12,50,000
(j) Rs. 11,50,000
(k) Rs. 12,00,000
(l) Option of (a) or (c)

Q 25. Apex Ltd takes a machine on lease of 1 year for a rent of Rs. 120,000 per annum. Further, there is a contingent rent of Rs. 50,000. Also, Apex Ltd has guaranteed a residual value of Rs. 500,000. Calculate minimum lease payments as per Ind AS 17.

(i) Rs. 170,000
(j) Rs. 120,000
(k) Rs. 670,000
(l) Rs. 620,000

Q 26. TEV Company acquires a brand of shampoo at value of Rs. 50,00,000 on April 1, 2014. The contract allows TEV Company to use this brand for a period of 10 years. However, at the end of 10 years, TEV Company has right and also intention to extend this contract for a period of another 10 years. The extension will be without any significant costs. Calculate the carrying value of the brand as on 31 March 2015.

(j) Rs. 50,00,000
(k) Rs. 47,50,000
(l) Rs. 45,00,000
(m) Rs. 45,75,000

Q 27. MI Farms LLP owns a land on which it grows Mango trees. Cost of maintenance of these trees for the year 2014-15 was Rs. 240,000. It could harvest 12,000 mangoes from those mango trees during the said year. These mangoes can be sold in the market for Rs. 50 per mango. Cost to sell each mango is Rs. 10. Calculate the cost at which such inventories should be accounted for.

(i) Rs. 20 per mango
(j) Rs. 30 per mango
(k) Rs. 50 per mango
(l) Rs. 40 per mango

Q 28. JA Ltd. constructed a factory for Rs. 50,00,000 in April 2010. Further, it estimated its discounted decommissioning liability of Rs. 2,00,000. Hence, the total cost of asset was

accounted for as Rs. 52,00,000 and a decommissioning liability was accounted for at Rs. 2,00,000. The company follows cost model for its assets. As at 31 March 2015, the factory has a carrying value of Rs. 45,50,000 and the decommissioning liability has a carrying value of Rs. 3,50,000. On this day, the company's estimate of its discounted decommissioning liability changes to Rs. 4,00,000. Calculate the revised carrying values as on 31 March 2015.

(i) factory = Rs. 45,00,000; decommissioning liability = Rs. 4,00,000
(j) factory = Rs. 45,50,000; decommissioning liability = Rs. 3,50,000
(k) factory = Rs. 46,00,000; decommissioning liability = Rs. 4,00,000
(l) factory = Rs. 45,50,000; decommissioning liability = Rs. 4,00,000

Q 29. Company B manufactures textiles. For promoting textile manufacturing, Government gives Company B a machine as non-monetary government grant as on 01 April 2014. The machine has a fair value of Rs. 5,00,00,000. Company B follows cost model for its assets. The machine has a useful life of 10 years. Calculate the carrying amount of the machine as at 31 March 2015.

(g) Rs. 1
(h) Rs. 4,50,00,000 (i)Either (a) or (b)
(j)Rs. 5,00,00,000

Q 30. Investor LLC has acquired 30% shares of Associate LLP as on 01 April 2010 at Rs. 500,000. This acquisition of shares leads to Investor LLC having significant influence on Associate LLP. Since the date of acquisition till 31 March 2015, Associate LLP has earned a profit of Rs. 1,00,00,000. Also, on 31 March 2013, Associate LLP revalued its property by Rs. 3,00,000 and accounted for it in the revaluation reserve. Calculate the carrying value of Investor LLC's investment in Associate LLP in its consolidated books of accounts as on 31 March 2015.

(i) Rs. 35,00,000
(j) Rs. 38,00,000
(k) Rs. 31,50,000
(l) Rs. 35,90,000

PART – B

DESCRIPTIVE QUESTIONS

Answers should be given in 5-10 sentences

(7 Questions x 5 marks each = 35 marks)

Q 31. Explain the 5 criteria given in Ind AS 115 to identify a contract.

Q 32. Explain the types of hedging relationships.

Q 33. What are monetary items? Which amongst the following are monetary items? Give reasons.

a. Gratuity payable
b. Provision for accumulating non-vesting leave encashment
c. Provision for warranty costs i.e. estimated cost to repair faulty goods

Q 34. Explain the concept of functional currency. Also state the factors to be considered in determining the functional currency.

Q 35. Explain the concept of a bearer plant. Also state whether the following are bearer plants or not with reasons:

I. trees grown for use as lumber
II. trees that are cultivated both for their fruit and their lumber III.annual crops like wheat

Q 36. Explain the exemptions available for Property, plant and equipment at the date of transition as per Ind AS 101.

Q 37. Entity X issues 3 financial instruments. The details of which are as follows:

<u>Instrument 1:</u>

Entity X issues a compulsorily convertible bond for INR 100 per bond on 01 April 2015. The terms of the bonds are as follows:

a. Interest will be paid at the rate of 9% till the date of conversion
b. The bonds will be converted to equity shares after 2 years
c. The conversion rate of bonds to equity shares will be determined based on the market value of equity shares on the date of conversion.

<u>Instrument 2:</u>

Entity X issues a compulsorily convertible bond for USD 100 per bond on 01 April 2015. The terms of the bonds are as follows:

a. Interest will be paid at the rate of 9% till the date of conversion
b. The bonds will be converted to equity shares after 2 years
c. Entity X will issue 2 equity shares for 1 bond at the date of conversion.

<u>Instrument 3:</u>

Entity X issues a optionally convertible bond for INR 100 per bond on 01 April 2015. The terms of the bonds are as follows:

a. Interest will be paid at the rate of 9% till the date of conversion
b. The bonds can either be converted to equity shares after 2 years or be redeemed on that day, at the option of the holder of the bond.
c. Redemption amount will be INR 100
d. If the holder of the bond decides to convert to equity shares, conversion rate will be determined based on the market value of equity shares on the date of conversion.

Assume that the functional currency of Entity X is INR.

Explain with reasons whether the instruments should be classified as equity or debt or compound financial instrument by Entity X as per Ind AS 32.

PART – C
CASE STUDY

(2 Questions x 10 marks each = 20 marks)

Q 38. Aaybee Ltd. prepares its financial statements as on March 31 every year. It has business of operating 2 stores that retail clothing in Mumbai and Delhi.

On January 01 2014, the Group's management and shareholders approved a plan to sell its Delhi store but no active program to sell the store had been initiated. On June 30 2014, an agent is instructed to actively market the store at a price of Rs. 2 crores. It is highly probable that the sale would be completed before March 2015. The agent will charge a fee of Rs. 2,00,000.

The carrying value of the Delhi store was Rs. 1.40 crores as on April 1, 2014. The annual depreciation is Rs. 14,00,000 on SLM basis.

Decide the following:

1. What would be date when Aaybee Ltd should classify this store as held for sale? Give reasons
2. Will it have to restate the 2013-14 comparative figures in the financial statements for the year ended March 31, 2015?
3. What would be the carrying amount of the Delhi Store as on March 31, 2015?

Q 39. ABC Ltd. purchases 70% equity shares of PQR Ltd on 01 April 2014 for Rs. 1,00,00,000 (assume it to be the list price of the shares). On that day, the details of assets and liabilities recognized by PQR Ltd was as follows:

Assets	Carrying Value	Fair Value
Property, plant and equipment	50,00,000	75,00,000
Other assets	10,00,000	8,00,000
Liabilities	(15,00,000)	(13,00,000)
Net Assets	45,00,000	70,00,000

Further, the following adjustments needs to be considered:

a. ABC Ltd. already held 10% equity shares of PQR Ltd. having a carrying amount of Rs. 10,00,000.
b. ABC Ltd. has also promised to pay a contingent consideration of Rs. 10,00,000 after 2 years on fulfillment of certain conditions. The fair value of this contingent consideration is Rs. 2,00,000.

c. PQR Ltd sold its products under a brand name. The fair value of that brand was considered to be Rs. 10,00,000.

d. It had unexpired contracts with customers. Those contracts were valued at Rs. 15,00,000.

e. Tax rate applicable to ABC Ltd is 25% and that applicable to PQR Ltd is 30%. Assume that carrying value as per books and the tax base is same. Also assume that tax base for contingent consideration is same as carrying amount.

f. Non-controlling interest is measured at its fair value on the acquisition date.

Calculate goodwill.

Sample Question Paper
Certificate Course on Ind AS Examinations in India

Total No. of Questions: 39 | Total No. of printed pages: 8
Total Marks: 100 | Time Allowed: 3 Hours

All the questions are compulsory. Question No. 1 to 30 carry 1.5 marks each, Question No. 31 to 37 carry 5 marks each and Questions 38 to 39 carry 10 marks each.

PART - A
OBJECTIVE TYPE QUESTIONS

(30 Questions x 1.5 marks each = 45 marks)

State the correct answer for each of the following statements

Q1. All the adjustments arising from the transition from previous GAAP to Ind AS shall be adjusted in

(m) Equity
(n) Retained Earnings
(o) Profit and loss account
(p) Any one of the above

Q2. The deemed cost for an item of PPE at the date of transition to Ind AS can be:

(m) Fair value at the date of transition
(n) Revalued figure as per previous GAAP
(o) Either (a) or (b)
(p) Neither (a) nor (b)

Q3. Financial assets that do not fall under any category will fall under

m) Held-to-maturity
n) Loans and receivable
o) Fair value through profit and loss account
p) Available for sale

Q4. _____does not arise from financial instruments that are

denominated in functional currency.

m) Interest rate risk
n) Market risk
o) Currency risk
p) None of the above.

Q5. Control as defined in Ind AS 110 is :

m) Holding more than 50% of voting power
n) Holding substantial position in the management of the investee
o) Having power to govern the financial and operating policies of the investee to obtain benefits
p) Representing in the Board of Directors.

Q6. Joint control exists in an arrangement where the decisions about the relevant activities require _____ consent of the parties sharing control.

m) Unanimous
n) Majority
o) Written
p) All of the above

Q7. Consolidation of entity's financial statements involve:

m) Combine assets, liabilities, equity, income and expenses
n) Eliminate intra group assets, liabilities, income and expenses
o) Offset parent's company investment with the equity share capital of the subsidiary
p)All of the above

Q8. As per Ind AS 113 Fair value measurement assumes a transaction taking place in the .....market for the asset or liability.

m) Active
n) Principal
o) Most advantageous
p) All of the above

Q9. An investment entity measures and evaluates the performance of substantially all of its investments on _____

m) Fair value basis
n) Cost basis

o) Market value basis
p) Any of the above

Q10. The _____ is the price paid to acquire an asset or received to assume a liability in an exchange transaction.

m) Exit price
n) Entry price
o) Risk premium
p) Fair value

State whether the following statements is true or false (with reasons)

Q 11. The entity need not to disclose the changes in a parent's ownership interest in a subsidiary that do not result in a loss of control.

Q 12.If a party has only protective rights with respect to the joint arrangement, the party is a party with joint control of the arrangement.

Q 13. Government having ownership in an entity also comes under the purview of the Government Grants.

Q 14.All biological assets (except for bearer plants) are accounted for under Ind AS 41 Agriculture.

Q15. An arrangement can be a joint arrangement even though not all of its parties have joint control of the arrangement.

Q 16. The preference shares that have a mandatory redemption feature at a future date is a financial liability and not equity.

Q 17. An entity that presents its first Ind AS financial statements is first-time adopter as per Ind AS 101?

Q 18. The changes in the fair value of the liability measured under cash-settled share-based payment transactions are recognised in profit and loss account.

Q 19. Grant date is the date when the employer and employee agree to the terms of a sharebased payment plan.

Q20. As per Ind AS 113 "Fair Value Measurements", the Level 3 fair value measurement provides the most reliable evidence of the fair value.

Calculate the correct amount in each of the following statements:

Q 21. Entity A exchanges car X with a book value of Rs.1,30,000 (fair value of car X is Rs. 1,50,000)and receives cash of Rs.15,000 and car Y (fair value of car Y is Rs. 1,70,000). At what amount should the Entity A recognise car Y?

(m) 1,50,000
(n) 1,35,000
(o) 1,70,000
(p) 1,55,000

Q 22. An asset costing Rs 100,000, accumulated depreciation of Rs 20,000 has been revalued by Rs 10,000 as at the end of year 2014? What will be the carrying amount of the asset at the end of 2015 assuming it is being depreciated @10% p.a. on SLM basis?

(k) Rs 70,000
(l) Rs 78,750
(m) Rs 81,000
(n) Rs 80,000

Q 23. Company X grants 500 shares options each to 100 employees. The employees will be entitled to exercise three options if they stay for three years. The fair value of each option is estimated to be Rs. 15 on the date of grant. The fair values are Rs. 18, Rs. 25 and Rs. 30 at the end of year 1, year 2 and year 3 respectively. The employee service cost to be debited to profit and loss account at the end of year 1 is _____:

(m) Rs. 7,50,000
(n) Rs. 2,50,000
(o) Rs. 3,00,000
(p) None of the above

Q 24. Calculate diluted earnings per share from the following?

Profit attributable to ordinary equity shareholders of the entity	Rs 2,008
Ordinary shares outstanding	2,000
Basic earnings per share	Re 1
Convertible bonds	200

Each block of 20 bonds is convertible into six ordinary shares

Interest expense for the current year relating to the liability component of the convertible bonds	Rs 20
Current and deferred tax relating to that interest expenses	Rs 8

(m) 0.98
(n) 1.01
(o) 0.99
(p) 0.96

Q 25. Venturer A and Venturer B own a 50% interest each in Operation C. Venturer A makes a loan to Operation C of 1,000 and Venturer B makes a loan of 800 to Operation C. Operation C has incurred a total liability to both venturers amounting to 1,800. What is the amount, Venturer A has to account as Net Receivable from its Joint Venture Partner Venturer B under Ind AS 111?

(n) 1,000
(o) 900
(p) 100
(q) 800

Q 26. As asset which cost Rs 150 has a carrying amount of Rs 100. Cumulative depreciation for tax purposes is Rs 90 and the tax rate is 25%. Therefore, the company will recognise :

(m) Deferred tax asset of Rs 10.
(n) Deferred tax liability of Rs 10.
(o) Deferred tax asset of Rs 12.5
(p) Deferred tax liability of Rs 12.5

Q 27. The inventory of Rs 200 has been written down to its NRV Rs 170. Subsequently in further period, the inventory is in hand and the NRV has been increased to Rs 210. At what amount, will be inventory will be restated in the books of accounts:

(m) Rs 200
(n) Rs 210
(o) Rs 170
(p) Rs 180

Q 28. A company sells car for Rs 200,000 to a customer and gives two year free servicing as an initiative to increase brand's goodwill. The cost of such servicing for two years would normally be Rs 10,000. What amount of revenue should company recognise in the books of accounts at the time of sale:

(m) Rs 200,000
(n) Rs 210,000
(o) Rs 190,000
(p) None of the above.

Q 29. An asset has been revalued by Rs 24,000 in January 2014. In the month of July, 2014, the asset was sold for Rs 138,000, having book value of Rs 170,000. What amount should be recognised in the profit and loss statement at the time of sale:

(m) Loss of Rs 32,000
(n) Profit of Rs 8,000
(o) Loss of Rs 8,000
(p) None of the above

Q 30. As per IND AS 20, the government grant of Rs 150 received against an asset of Rs 1,000 should be recognised in the financial statement as:

(m) Deduction of Rs 150 from Rs 1000 cost of asset and balance to be depreciated accordingly
(n) Rs 150 to be deferred in profit and loss and Rs 1000 to be depreciated over useful life of the asset. (o)Either (a) or (b)
(p)None of the above.

PART – B

DESCRIPTIVE QUESTIONS

Answers should be given in 5-10 sentences

(7 Questions x 5 marks each = 35 marks)

Q 31. Define Service concession agreements? Briefly explain two type of asset model which are recognised by an entity under this category?

Q 32. Explain fair value? Briefly mention the fair value hierarchy as per Ind AS 113?

Q 33. Under the new revenue recognition standard i.e. Ind AS 115, Revenue from Contracts with Customers, what are the factors required to establish that a contract exists with a customer? If the criteria are established at the inception of the contract, are those criteria required to be reassessed at a later date? Is the five step model required to be applied individually to each contract separately?

Q 34. Define the term 'joint arrangement' and its characteristics? "A joint arrangement is either a joint operation or a joint venture". Explain?

Q 35. Under Ind AS 112 – "Disclosure of interests in other entities" what are the disclosure requirements pertaining to Significant judgments and assumptions?

Q 36. What comprises a complete set of financial statement prepared under Ind AS. How they are different from Indian GAAP (AS)?

Q 37. Explain the term 'Other Comprehensive income' with examples?

PART – C
CASE STUDY

(2 Questions x 10 marks each = 20 marks)

Q 38. Determine in each case whether the transaction will be classified as held for sale as per the criteria set out in Ind AS 105?

(c) An entity is committed to a plan to sell its headquarters building and has initiated actions to locate a buyer. The entity will continue to use the building until the construction of a new headquarters building is completed. The entity does not intend to transfer the existing building to a buyer until the construction of new building is completed and it vacates the existing building.

(d) An entity is committed to a plan to sell a manufacturing facility and has initiated actions to locate a buyer. At the plan commencement date, there is a backlog of uncompleted customer orders. The entity intends to sell its manufacturing facility with its operations. Any uncompleted customer orders at the date will be transferred to the buyer.

(e) An entity acquires through foreclosure a property comprising land and building that it intends to sell. Its does not intends to sell property until after it completes the renovation to increase the property's sales value.

Q 39. Cloud Technology fund was formed by Cloud Corporation to invest in technology start up companies for capital appreciation. Cloud Corporation holds a 70 per cent interest in cloud technology fund and controls it, the other 30 per cent ownership interest is owned by 10 unrelated investors. Cloud Corporation holds options to acquire investments held by Cloud Technology fund at their fair value which would be exercised if the technology developed by the investees would benefit the operations of Cloud Corporation. No plans for exiting the investments have been identified by Cloud Technology Fund. It is managed by an investment adviser that acts as agent for the investors in the technology fund. Determine whether the Cloud Technology fund is an investment entity?