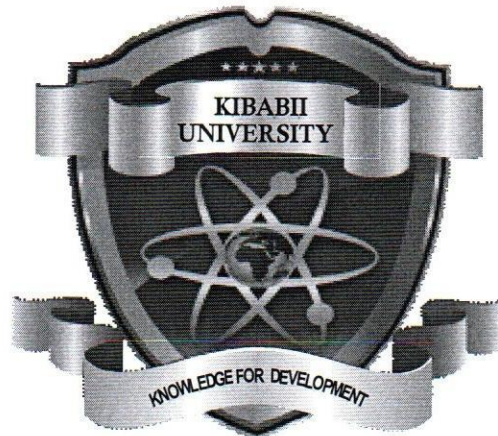


106



**UNIVERSITY EXAMINATIONS
MAIN EXAMINATIONS
2020/2021 ACADEMIC YEAR
THIRD YEAR FIRST SEMESTER
FOR THE DEGREE OF BACHELOR OF COMMERCE**

COURSE CODE: BCA 348E

COURSE TITLE: TRUST AND EXECUTORSHIP ACCOUNTS

DATE: 14TH JULY, 2021

TIME: 9.00AM – 11.00AM

INSTRUCTIONS TO CANDIDATES

Answer Question ONE (compulsory) and ANY OTHER TWO questions

Question one;

a)

i. Mr. K dies intestate; his wife Mrs. K died two weeks before Mr. K. Mr. K's eldest son, M, died some years ago; M's children P, Q and R are alive at the time of Mr. K's death. B, C and D, Mr. K's other children were all alive when Mr. K died. His net estate is worth Shs.3.6m;

Required; statement showing how the estate should devolve. [5 marks].

ii) Discuss the objectives of the succession Act of the laws of Kenya. [5 marks]

b) Mr. O dies intestate, leaving two wives, A and C whom he married under a system of law which permits polygamy; a third wife B had predeceased him. A has children P, Q and R; B had children S and T; C has no children. All the children are alive at the time of Mr. O's death. The value of his personal and household effects was Sh. 700,000 and the value of the net residue of the estate was Sh. 2,800,000

Required; Statement showing how the estate should devolve [10 marks].

c)

The following information was extracted from the records of a deceased person;

Date of death:	30th June, 2021
Stock:	BAT (K) Ltd. ordinary shares
Holding:	2,000 ordinary shares of Sh10 each quoted at Sh129 — Shs133
Dividends received:	Interim of 25% for year to 30th September 20X5, received on 31st May 2021. Final of 100% for year to 30th September 2021 , received on 30th November, 2021

Required;

- i) Estate in come account [5 marks]
- ii. Estate Balance sheet [5 marks]

Question Two.

a. Mr. Ruare dies intestate, leaving his two wives Luky and Chity whom he married under a system of law which permits polygamy. A third wife Beaty had predeceased him. Luky has three children Peter, Lowe and Ricci. Beaty had two children Short and Tall. Chity has no children. All the children are alive at the time of Mr. Ruare's death. The value of his personal and household effects was Sh.350,000 and the value of the net intestate estate was Sh.3,150,000.

Required:

A clear statement to show how Mr. Ruare's property would devolve. (10 marks)

b) State and explain the intestacy provisions of the laws of Kenya. (10 marks)

Question Three.

Mali Mengi (aged 57) died in a road accident on 31 December 1999. On 1 May 2000 after his executors had paid all debts (except for the mortgage for his freehold house and debt to Mkopeshaji testamentary and funeral expenses, his estate was ascertained as follows:

	Sh. '000'
Cash in bank accounts	4,250
Freehold house	3,250
Toyota corolla	360
Nissan sunny	220
Television and music system	105
Debt due from Pungufu	40
Furniture and personal effects	302
10,000 ordinary shares in Cement Ltd.	1,200
4,500 ordinary shares in Soko Mjinga Ltd.	370
Sh.800,000 10% Kenya stock	165
Income received to date	230
Interest	

Dividend from Soko Mjinga Limited	<u>37</u>
	<u>267</u>
Less: Mortgage interest paid 31 march 2000	<u>120</u> <u>147</u>
	<u>10,409</u>

Extracts from Mali Mengi's will left bequests as follows:

1. To each of my sons. Kikwajuni, Mnazini, and Mwembeni Sh.1 million.
2. To my wife Darajani, I leave my furniture, household and personal effects and the residue of my estate.
3. To my daughter Nanjale, my freehold house free of all duties. The house was subject to a mortgage of Sh.1 million carrying interest at 24% per annum payable 31 March and 30 September. Duty on the house amounts to Sh.130,000.
4. To my friend Kisitu, one of the motor cars owned by me at the time of my death he may choose.
5. To my friend Mlungu Sh.100,000.
6. To my sisters-in-law Sh.300,000
7. To my cousin, Nipa, my painting of Mausoleum by Kikuvu.
8. To my driver Ndeleva Sh.150,000
9. To my friend Shimba, my holding of Sh.800,000 110% Kenya stock, Mali Mengi owed Shimba Sh.100,000.
10. To my sister Malindi Sh.300,000
11. To my personal assistant, Sijapata half of my holdings in Cement Ltd.
12. To my niece Sinani, 4,000 ordinary shares from my holding of such shares in Cement Ltd.
13. To my nephew Shaibu Sh.200,000 payable out of my shares in Cement Ltd.
14. To my friend Mlungu Sh.50,000.
15. To my neighbour, Jirani Sh.50,000.
16. To my sister Dada, Sh.100,000 to establish a business.

Mali Mengi executors ascertained the following beneficiaries were dead:

- Son Mnazini died in 1997 leaving a wife and two children.
- Son Mwembeni died in 1998 leaving a wife.
- Sister Malindi died in 1996 leaving two daughters.
- Driver, Ndeleva aged 60 died in the same accident as Mali Mengi. It was impossible to determine the order in which Mali Mengi and Ndeleva died.

The executors also advise you that:

- (i). Kisitu chose the Toyota corolla
- (ii). Mali Mengi sold his painting of the mausoleum using the proceeds to purchase his holding in Soko Mjinga Ltd.
- (iii). There is no such investment as 110% Kenya stock. The referees in the will to 110% is thought to be a typing error not previously noticed.
- (iv). Jirani replied in writing that he did not want anything from Mali Mengi because Mali Mengi was a bad neighbour.
- (v). Mali Mengi paid the Sh.100,000 during his life to his sister Dada to establish a business.

Required:

A list of legacies to which the executors should not assent, briefly give reasons for the decision. [20 marks]

Question Four:

a)

Anyango, your best friend, was a gospel artist, died after a road accident that involved the motor –bike and a cargo van along Malaba Road. As her trusted friend and CPA you have been named the executor and guardian of her only child, Juliet. Anyango’s Estate consisted of the following before the probate court ;

Description	Shs.”000,000”
Cash	15000
Vacant Plot in Eldoret	130000
BAT (k) shares	54000
Investment in KCB shares	13000
Dividends declared on KCB shares	1000
Investment in GOK bonds	40000
Accrued interest on GOK bonds	2000
Royalties Receivable	17000
Medical and Funeral Expenses	22000

Notes;

- i. Medical and funeral expenses were paid immediately
- i.Cash dividends ,on KCB shares, of shs 1000 and on BAT shares of shs 2700 were finally received.

- iii. The vacant plot in Eldoret was sold for shs. 150,000,000 and shs, 2,000,000 went commission expenses while shs, 8,000,000 for taxes.
 - iv. Interest of 2400 on government bonds was received and royalties were collected
 - v. The estate further claims of shs. 28,000,000 that were paid.
 - vi. Legacy of shs 15,000,000 is paid to Kibabii Children Home
 - vii. Admin fee of shs. 3, 200,000 are paid of which shs 100,000 is traceable to income
- Required'

- i. Estate income
- ii. Estate Balance sheet (10 marks)

b)

High light and explain the process of obtaining a grant to administer an estate of a deceased person. (10 marks)

Question Five;

Kombo died on 31 October 2000 and left his estate as follows:

	Sh
Household furniture	90,000
Cash in house	2,000
Cash at bank	250,000
10,000 ordinary shares of Sh.20 each in KFC Ltd. Valued at Sh.30 per share.	300,000
Investment at 5% on freehold property securities (interest thereon paid to 30 June 2000)	
Share in business of Kombo & Co. valued at death	400,000
Sundry debtors	1,226,000
His liability amounted to	20,000
Funeral expenses	5,000
	10,000

The following additional information is available:

1. A legacy of Sh.20,000 was bequeathed to his executor and was paid on 28 January 2001.

2. The residue of the estate was left in trust for his infant son.
3. The household furniture was sold on 15 December 2000 for Sh.96,000.
4. The shares were sold on the same date at Sh.29 ex div: a dividend being received on 25 January 2001 at 10% for the year ending 31 December 2000.
5. Interest on investment in freehold property securities was received on 31 December 2000, on which date the shares in the business of Kombo & Co. was received with interest at 5% per annum.
6. The liabilities and funeral expenses were discharged on 20 December 2000 on which date Sh.10,000 of the debts due were received. The balance being unpaid at the date of preparation of the accounts.

Required:

- (a) Journal entries to record the above transactions (10 marks)
- (b) The Estate cash book (5 marks)
- (c) The Estate income account (5 marks)

- (ii) Define and explain what 300 represents. (4 Marks)
- (iii) What does 0.65 represent? (2 marks)
- (b) The Kenyan economy has been recording a positive and an increasing trend in its economic growth from 2017 to date, explain whether this reflects an improvement in the material wellbeing of its people. (10 Marks)

QUESTION THREE

- (a) Clearly explain the expenditure approach of computing national income and explain FOUR problems associated with it. (8 Marks)
- (b) Explain any three types of inflation. (6 Marks)
- (c) State determinants of the amount of money held for transaction purposes. (6 Marks)

QUESTION FOUR

- (a). Describe four roles of commercial banks in an economy. (8 Marks)
- (b) Discuss FOUR ways of alleviating the unemployment problems in developing economies. (8 Marks)
- (c) Distinguish between Gross Domestic Product and Net National Product. (4 marks)

QUESTION FIVE

- (a) Differentiate between monetary and fiscal policy. (4 Marks)
- (b) What is meant by the term balance of payments? (3 Marks)
- (c) Discuss FOUR problems experienced by a country with a balance of payment deficit. (8 Marks)
- (d) State FIVE benefits of inflation to the economy of a country. (5 marks)