



*(Knowledge for Development)*

**UNIVERSITY EXAMINATIONS**  
**2021/2022 ACADEMIC YEAR**  
**SECOND YEAR SECOND SEMESTER**  
**MAIN EXAMINATION**

**FOR THE DEGREE OF BACHELOR OF COMMERCE**

**COURSE CODE: BCA348E**

**COURSE TITLE: TRUST AND EXECUTORSHIP ACCOUNTING**

**DATE: 31<sup>ST</sup> AUGUST, 2022      TIME: 2.00PM – 4.00PM**

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**INSTRUCTIONS TO CANDIDATES**

1. Answer Question One in Section A and Any other TWO (2) Questions in Section B
2. Question one carries 30 marks and each of the other Two questions carry 20 marks each.

TIME: 2 Hours

## QUESTION ONE

- (a) Describe the role of the probate court .(5 marks)
- (b) Examine the succession procedures in Kenya as stipulated in the Succession Act of the laws of Kenya. . (5 marks)
- (c) Mr. Ali Hassan died on 31 October 2021 and was survived only by Kwetu his grandson. By his will which barred equitable apportionment and was silent on the date of payment of legacies he left his estate as follows:

To my cousin Musa my beach plot  
To my friend Naomi my car  
To my nephew Penny my boat  
To each of my brother-in-law Sh.40,000  
To each of my two sons Sh.200,000  
To my housekeeper Ali if still in my employment Sh.400,000  
To the pastor of my church Paul Sh.100,000  
To my local church Sh.100,000 to buy a piano in memory of my late mother.  
To my shamba boy, Juma if still in my employment Sh.40,000.  
To each of my neighbours Faith, Peter and Tom Sh.20,000;  
To the water games club, my outboard engine; and  
To my grandson Kwetu, the residue absolutely.

On 30 April 2021, the executors, having paid all the liabilities of the estate and the expenses of administration were ready to assent to the legacies. The property in their possession and its value at the date was:

	Sh.
Car (van)	180,000
Car (saloon)	100,000
Boat	50,000
Furniture, Jewelleryetc	190,000
Farm	80,000
Beach plot	24,000
Sh.3,000,000 6% Government stock	2,400,000
Balance at bank	<u>1,376,000</u>
	4,400,000

The following additional information is available:

1. Penny died on 30 March 2019.
2. Kombo had two brothers in law surviving at 31 October 2019.
3. Ali was still employed at 31 October 2019
4. During his lifetime, Kombo provided his church with a local piano in memory of his late mother
5. Juma retired on 31 October 2018.
6. Faith and Juma both predeceased Kombo.

7. The farm had been purchased by Kombo with proceeds of the sale of the outboard engine.

**Required:**

A schedule showing the distribution of the estate. Propose your reasons why you should decide that the executors should assent to any legacies (ignore taxation) (20Mrks)

[Total 30 marks]

**QUESTION TWO**

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

	<b>Sh</b>
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)	400,000
Share in business of Kombo & Co. valued at death	1,226,000
Sundry debtors	20,000
His liability amounted to	5,000
Funeral expenses	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 2020.
2. The residue of the estate was left in trust for his infant son.
3. The household furniture was sold on 15 December 2020 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 2021 at 10% for the year ending 31 December 2000.
5. Interest on investment in freehold property securities was received on 31 December 2021, 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 2021 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 (5 marks)
- (b) The Estate cash book (4 marks)

- (c) The Estate income account (3 marks)  
(d) The Estate income account (5 marks)  
(e) Balance sheet of Kombo: deceased as at 31 January 2021 (3 marks)

**(Total: 20 marks)**

### QUESTION THREE

Highlight the objectives of the following

- (a) Succession Act of the laws of Kenya [ 12 marks]  
(b) Insolvency act of the laws of kenya [ 8 marks]

### QUESTION FOUR

- a) Design the contents of a trust deed title for beneficiaries of your choice [5 marks]  
b) Analyze the various reasons for the ABATEMENT of a legacy [ 5 marks]  
c) 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:**

Support using a clear statement on how show how Mr. Ruare's property would devolve.  
(10 marks)

**[TOTAL = 20 marks]**

### QUESTION FIVE

Onyango died ten years ago and by his will left the residue of his estate in trust for his children Abel and Beatrice in equal shares. The will directed that a child's share should be ascertained and discharged on reaching 21 years of age. The trustees were empowered to maintain the children out of income and to use their unfettered discretion in the choice of investments.

The following trial balance was extracted from the books as on 31st December 2021:

	Shs	Shs
Investments on Estate Capital Account:		
20,000 shares of Shs.10 each in K Ltd.	220,000	
30,000 shares of Shs.10 each in L Ltd.	280,000	
Investment on Accumulation Accounts:		
1,000 shares of Shs.10 each in K Ltd.	10,100	
1,000 shares of Shs.10 each in L Ltd.	9,000	
Balance with bankers:		
On Estate Capital Account	20,000	
On Accumulation Accounts	5,000	
Estate Capital Account		520,000
Accumulation Accounts:		
Abel		15,000
Beatrice		<u>10,000</u>
	<u>545,000</u>	<u>545,000</u>

Abel attained 21 years of age on 31st March 20X4, on which date the middle market prices of the investments were:

K Ltd.      Shs.12.50  
L Ltd. Shs.10

Transactions in the three months ended 31st March 20X4 comprised:

- a. 1st January - Receipt of dividend of Shs.0.50 on each Shs.10 share in K Ltd.
- b. 31st January - Maintenance payments: Abel Shs.3,000; Beatrice Shs.2,000

On 31st March 20X4 the trustees revalued all the investments and discharged their liability to Abel by the transfer to him of:

- a. One-half of each of the investments held on capital account;
- b. Three fifths of each of the investments held on accumulation accounts, and
- c. Cash for the balance of the amount due to him.

You are required to write up the following accounts in the books of the Trust for the three months ended 31st March 2021;

- i. Estate capital account; (7marks)
- ii. Accumulation accounts (in columnar form) (7marks)
- iii. Distribution account – Laertes (6marks)

**[TOTAL = 20 marks]**