



(Knowledge for Development)

KIBABII UNIVERSITY

UNIVERSITY EXAMINATIONS

2022/2023 ACADEMIC YEAR

THIRD YEAR FIRST SEMESTER
MAIN EXAMS

FOR THE DEGREE OF BACHELOR OF COMMERCE

COURSE CODE: BCA 348

COURSE TITLE: TRUST AND EXECUTORSHIP ACCOUNTING

DATE: 20TH DECEMBER, 2022 TIME: 9.00AM - 11.00AM

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)

- a) Mwamburi died testate in 2015. After discharging all liabilities his estate comprised of the following

| | |
|--------------------------|----------------|
| Bank balance | 3175000 |
| House hold furniture | 210000 |
| Motor vehicle | 160000 |
| Family house | 1800000 |
| Building society deposit | 2280000 |
| Painting | 1050000 |
| 12.5% Kenya Mortg Bond | 160000 |
| Plot in Kakamega | <u>1230000</u> |

They provided the following legacy

- 1) To wife Rose sh 4500000
- 2) To sister Janet sh 1200000
- 3) To his son Ben the plot in Kakamega and sh 750000
- 4) To daughter Alicia sh 1800000 payable out of his buildings in certain ltd
- 5) To his friend John his ordinary shares in Tembu SACCO
- 6) To his brother Andrew sh 1700000
- 7) To the local church 12.5% Kenya mortg Bond

All beneficiaries are of full age.

Just before he died Mason sold his interest in Tembu SACCO for sh 2000000 and all the amounts due to him had been discharged

Janet and Ben had been killed in a road accident seven months before Mason died. Janet bequeathed her estate to daughter Loice while Ben is survived by the widow Aisha and son Joel. Ben's will left the whole of his estate to his widows Aisha.

Required:

Distribution statement showing the final distribution of the estate

(10 Mrks)

- b) When a person dies intestate his estate is devolved according to the law of Succession Act intestate Provisions. Explain the distribution of the intestate estate in the five situations in the Act (7Mrks)

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QUESTION ONE(C)

- i. Briefly explain four circumstances under which a trustee may be terminated under the Trust Act (4marks)
- ii. The Trust Act gives a Trustee various powers. Briefly explain five such powers.(4marks)
- iii. For a Trustee to be created, some conditions must be fulfilled. Explain five essentials of a Trust(5marks)

QUESTION TWO

- a) Explain the formalities of making a will (10marks)
- b) What are the powers of legal representatives? (4marks)
- c) John Pombe died without a will and widower leaving a net estate of 24000000. He was survived by three sons Moses Joel and Ben. During his life time had made advancements to 2 of his sons as follows

Moses sh 1000000

Joel sh 1200000

Required: Distribution statement

(6 marks)

(Total 20Mrks)

QUESTION THREE

- a) Under what circumstances will a court invalid a Will (10mrks)

Ronald died 1st January 2015; His will left the house to the wife and on her death to elder son Joseph. He left the residue of his estate to be held on trust for the benefit of his wife for life and on her death to be shared among his other children Noel, Robert and Andrew. His will gave no directions as to the investment of Trust funds.

On 1st January 2015 his house was valued at sh 3900000. He held 30000 EABL shares valued at 42—48 and sh 1500000 nominal 12% Kenya Government Stock valued at 90-92 and sh 750000 in the bank. His debts and funeral expenses amounted to sh 90000

On 1st July 2015 EABL shares were quoted at sh 48-50 and the 12% Kenya Government Stock was quoted at sh 88-92

Required:

Show the Estate Capital Account and Balance sheet in 1st July 2015

(10marks)

(Total 20 mrks)

QUESTION FOUR

Mzee Bongo died intestate on 1st April 2015. He was survived by a widow and two infant children, John and Kennedy

His estate at the time of death consisted of the following;

| | | |
|--------------------------------------------------|----|---------------|
| Sh 280,000 9% government stock | sh | 231,000 |
| Sh 240,000 2.5% savings bond | | 200,200 |
| Life insurance policy with Madison insurance | | 300,000 |
| Building society deposit at 8% | | 45,000 |
| Accrued interest on the Building society deposit | | 900 |
| Bank balance | | 47,350 |
| Household furniture and effects | | 30,000 |
| Debts and funeral expenses | | <u>(6500)</u> |
| | | 847, 950 |

Additional information;

1. Interest is receivable as follows;

Government stock; 1st Feb and 1st Aug
Savings bond; 1st May and 1st November
Building society deposit; 1st Jan and 1st July

2. Interest on the government stock was received on the due dates.

3. In addition to the above, the following transactions took place during the year ended 31st March 2016;

31st May; expenses of sh 111,630 were paid in respect of the estate.

5 June; sum assured by the life policy was received.

30 June; Building society deposit was paid to the personal representative, together with interest due.

12 July; Sh 180,000 of the government stock was sold ex-interest, receiving sh 147, 600

10 Aug; the debts and funeral expenses were paid.

30 Sept; the bank debited the account of the personal representative with interest amounting to sh 670. It is chargeable to income.

2 Oct; The effect were given to the widow.

31st Jan; Administration expenses of sh 4000 were paid.

Required;

i) Cash book

ii) Estate capital account for the year ended 31st march 2016

iii) Balance sheet as on that date

QUESTION FIVE

a) Discuss the various legacies in the Act (10marks)

b) Highlight the characteristics of a will (10marks)

(Total 20 Mrks)