



TECHNICAL UNIVERSITY OF MOMBASA
Faculty of Business and Social Studies

DEPARTMENT OF BUSINESS STUDIES

UNIVERSITY EXAMINATIONS FOR DEGREE IN
BACHELOR OF BUSINESS ADMINISTRATION
BACHELOR OF COMMERCE

BAC 4404: EXECUTORSHIP AND TRUST ACCOUNT

END OF SEMESTER EXAMINATIONS

SERIES: APRIL 2015

TIME: 2 HOURS

INSTRUCTIONS:

- Answer Question **ONE (Compulsory)** and any other **TWO** questions.
- Do not write on the question paper

This paper consists of Four printed pages

QUESTION 1 (Compulsory)

- a) Discuss the ways by which a legacy may fail. **(10 marks)**
- b) Obulifwa died on 1st February 2013 having the following estate:

	Sh 000
Building society deposits	5,042
Interest accrued to date	39
Balance at bank	4,965
Personal chalets	3,600
Freehold house	24,000
Sh. 60,000,000 10% government stock	42,000
700,000 ordinary shares	
Of sh. 10 each in Obulifwa Ltd	10,000

300,000 ordinary share
Of sh. 10 each in Charlie Ltd 3,000

His will included the following legacies

1. To his wife Jane the freehold house, personal Chalels the ordinary shares in both Obufwa Ltd and Charlie Ltd and the sum of sh. 15,000,000.
2. To his daughter Susan has county cottage and the sum sh. 21,600,000.
3. To his sons George and Fredrick the sum of sh. 12,000,000 each.
4. To his sister Josephine the sum of sh. 10,000,000.
5. To his friend Charles the sum of sh. 2,400,000.
6. To his brother Victor, his holiday of sh. 5,000,000 savings bond.

His will also directed that the residue and any income arising during the administration of the estate should be given to his wife Jane.

You see **fair** that the cottage was sold for sh. 15,000,000 in 2008 and the savings bond enlashed in 2007. His sister Josephine had died in 2005.

The following transactions took place during the three month ended 30th April 2013.

28 th February	Received divided of 12% for the year ended 31 st March 2012 on shares in Obulifwa Ltd
31 st March	Received proceeds of government stock sh. 41,000,000
30 th April	Withdrew balance of sh. 515,7000 from building society account including interest. Paid debts and funeral expenses of sh. 120,000 and distributed all the legacies and completed the administration of the estate.

Required

Prepare the estate ledger accounts for the three month ended so April 2013.

(20 marks)

QUESTION 2

- a) Discuss in details the legacies that a testator may bequeath the beneficiary. (14 marks)
- b) Explain the **THREE** certainties that are required in an express trust. (6 marks)

QUESTION 3

The will of Kifo Maiti who died on 23rd January 2014 contains the following provisions:
I leave my house and personal effects to my wife Mjane Maiti
I leave sh. 90,000 to my son Yatima Maiti
I leave all my investments to Chuo TUMO
Any income earner on my investments prior to distribution, I leave to my Pastor, Fatehr Mbegu
I leave the remainder of my friend Rafiki Karisa.

Additional information

1. The executor Kamau Otieno took an inventor of the assets of the testator and determined their fair value at the time of Kifo Maiti's death to be as follows:

	Sh.
Cash	460,000
Household and personal effects	3,100,000
Investments:	
Stock	440,000
Bonds	210,000
Land (rental property)	650,000
Antiques	190,000
Dividend receivable	10,000
Interest receivable	20,000
Rent receivable	<u>40,000</u>
	<u>5,170,000</u>

2. The following valid claims were made against the estate and by the executor

	Sh.
Funeral expenses	170,000
Executor charge	90,000
Medical expenses	110,000
Debts	50,000

3. The following cash collections were received by the estate

	Sh.
Dividend	20,000
Interest	30,000
Rent	70,000
Sale of antiques	210,000

4. Prior to 23rd June 2014, the date the charge and discharge statement was prepared the executor had made complete distribution to both Mjane Maiti and Yatima Maiti.

Required:

A charge and discharge statement for the estate of Kifo Maiti.

(20 marks)

QUESTION 4

- a) Explain any **FIVE** characteristics of a valid will. (10 marks)
- b) Discuss **FIVE** duties of the Trustee. (10 marks)

QUESTION 5

Robert died on 1st January 2013 and by his will all the remainder of his estate was to be put in trust for the benefit of his sons Jeri, Makokha, Omolo and Kenga.

The will gave no directions as to the investment of trust funds except for the house which should be retained for the use of his wife for new life unless it is desirable to sell it.

His estate had the probate values as follows on 1st January 2013.

	Sh.
House	2,600,000
10,000 ordinary shares in KBC of sh. 10	900,000
12% Kenya Government	
Stock on nominal 1,000,000	900,000
Bank balance	500,000

On 1st July 2013, the trustee assumed office valued the investment as follows:

	Sh.
House	3,000,000
KBC shares	1,100,000
12% Kenya Government	
Slot	800,000

The following transactions took place for the year ended 31st December 2013.

2013	
July 2 nd	Received half year interest on Kenya Government stock
July 30 th	Sold the house sh. 3,600,000
August 31 st	Used all the narrower range cash available to purchase 9% Nairobi City Stock at par
September 30 th	Sell 50% of the 12% Kenya Government stock at par
October 15 th	Received interim dividend of 15% on KBC shares
December 31 st	Used 75% of the wider range cash to buy ordinary shares in Sungura at part

Required:

Trust balance sheet as at 31st December 2013. (20 marks)