



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 ACCOUNTS

SPECIAL/SUPPLEMENTARY EXAMINATIONS

SERIES: FEBRUARY 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 Five printed pages

QUESTION 1 (Compulsory)

- a) Discuss in details any **FIVE** legacies. **(10 marks)**
- b) Ochari died on 31st March 2013 after discharging all debts expenses, the estate comprised of the following:

	Sh.
Balance at bank	30,200
Household furniture	6,000
Motor car	2,000
Stamp collection	12,000
Ornamental clock	2,000
Country cottage	20,000

Dueling house	20,000
Sh. 10,000 9% British Government stock	9,000

By his will he bequeathed the following legacies: all beneficiaries are of full age:

1. To my sister Sophie my stamp collections.
2. To my son Leopold, my household furniture.
3. To my brother Fanwel, my game and fishing equipment.
4. To my wife Zeruya, my dwelling house and sh. 5,000.
5. To my children Leopald and Amina sh. 25,000 each.
6. To my sister Salome sh. 10,000
7. The residue of my estate to be divided between my children.

The game and fishing equipment had been stolen and were not insured. Salome was killed in a road accident before Ochari died.

Required:

A distribution statement showing how the legacies should be distributed.

(20 marks)

QUESTION 2

George died on 1st January 2014 leaving the following estate:

	Probate value
	Sh.
Building society deposit	24,033
Interest accrued to date	93
6,000 ordinary shares of 1 sh. each in OAT Ltd	5,250
2,000 ordinary shares of 1 sh. each in wheat Ltd	4,900
Balance at bank	28,126
Personal Chattels	1,500
50,000 12% government stock	48,000
Freehold house	25,000

Debts due to be paid by George amounted to sh. 640 and funeral expenses amounted to sh. 342.

By his will he directed:

- a) All income accruing during the administration of the estate be paid to his wife Patricia.
- b) That the following legacies be paid:
 - i) To his wife Patricia, personal chattels and the sum of sh. 3,000
 - ii) To each of his children and grandchildren living at the time of his death the sum of shilling 4,000.
 - iii) He left no instructions as to the disposal of the residue.

George is survived by his wife Patricia, his son Alan and grandchildren Amy, Peter and John all of whom are of full age.

The following transactions took place during the four months ended 30th April, 2014.

31 st January	Received dividend of 20% for year ended 31 st December 2013 on share from OAT Ltd and half-year's interest on the government stock for year ended 31 st January 2014
28 th February	Received net proceeds of sale from house sh. 24,750, shares in OAT Ltd Sh. 5,500, shares in Wheat Ltd sh. 4,750 and government stock sh. 47,500.
31 st March	Withdrew balance of 24,540 from Building Society Accounts including interest To date.
30 th April	Paid administration expenses of sh. 1,302 and distributed all legacies. Then transferred the balance of the estate to a trust fund.

Required:

Estate capital account and estate bank account.

(20 marks)

QUESTION 3

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

QUESTION 4

- a) Hassan Wakili was named executor of the estate of Punda Milia who died on 20th June 2013. On 31st March 2014, the executor prepared the following trial balance.

**Estate of Punda Milia
Trial balance 31st March 2014**

	Sh.	Sh.
Investments:		
Shares	185,000	
Bonus	420,000	
Accrued interest receivable	750	
Cash – principal	108,500	
Cash – income	21,250	
Loss on realization	6,500	
Gain on realization		97,500
Assets subsequently discovered		55,200
Debts of deceased aid	56,000	
Funeral expenses	95,000	
Administration expenses paid	25,700	
Estate corpus		792,750

Income		35,750
Expenses – income	3,800	
Distribution of income to beneficiaries	9,950	
Legacy – Mtoto Milia	<u>25,000</u>	
	<u>981,200</u>	<u>981,200</u>

Required:

A charge and discharge statement for the estate of Punda Milia.

(12 marks)

- b) Explain what is meant by the legal requirement that trusts must be certain as to words, subject matter and objects. **(8 marks)**

QUESTION 5

The trust deed relevant to Mr. Ole Kaparo’s trust restricted the trustee to invest in the authorized securities but permitted them to retain a piece of land until the tenant died. When it was to be sold and proceeds invested. At March 31st 2013 the summarized balance sheet of the trust was as under

	Sh. ‘000’
Sh. 10,000,000 8% Kenya Government stock	10,000
Sh. 10,000,000 7% saving Stock	10,000
Freehold land	<u>400</u>
Balance at bank	<u>28,400</u>
Represented by:	
Capital fund	<u>28,400</u>

On 1st April 2013 the trustee decided to avail themselves of the power and re-invest half of the shares in wider range securities.

The transactions on capital account of the trustees upto the year ended 31st March 2014 were:

- 1st April 2013 Sold sh. 10,000,000 8% Kenya Government Stock for sh. 9,700,000 and re-invested 9,700,000 and re-invested the whole amount in 4,000 sh. 1 ordinary shares of firestone (E.A) Ltd.
- 30th June 2013 Received sh. 20,000,000 on the sale of freehold land.
- 15th July 2013 Paid sh. 8,000,000 for sh. 6,000,000 sh. 1 ordinary shares of Portland Cement Ltd
- 30th July 2013 Paid sh. 10,400,000 for sh. 11,990,000 7% housing development bond stock
- 30th Sept. 2013 Paid sh. 1,400,000 to take up the whole of the trustee’s entitlement to 1:8 rights Issues by Firestone EA Ltd.
- 31st Dec. 2013 Received a bonus issue of 1 for 3 ordinary shares in Portland Cement Ltd.

Assume all income was distributed as received.

Required:

- a) Trust accounts for year ended 31st March 2014.
- b) Trust balance sheet as at 31st March 2014