

TECHNICAL UNIVERSITY OF MOMBASA

SCHOOL OF BUSINESS

DEPARTMENT OF BUSINESS ADMINISTRATION

BAC 4404 : EXECUTORSHIP AND TRUSTS ACCOUNTS

SERIES : APRIL/MAY 2016

TIME : 2 HOURS

INSTRUCTIONS:

Answer question ONE and any other TWO.

1. Peter Kiema died intestate on April 2007, survived by his widow and two infant children, Janet and James.

His estate at death consisted of:

Sh. 280,000 9% Government stock (interest 1 st February and 1 st August)	231,000
Shs. 240,00 2 ½ % savings bond (interest 1 st May and 1 st Nov.)	200,200
Policy on his life	300,000
Building society deposit at 8% (Interest 1 st Jan- 1 st July)	45,000
Accrued interest thereon	900
Balance at bank	47,350
Household furniture and effects	<u>30,000</u>
	<u>854,450</u>
Debts and funeral expenses	6,500
	<u>847,950</u>

Note – interest on Government stocks was received on due dates

Peter had made no chargeable transfers during his life. In addition the following transactions took place during the year ended March 2008.

2007:

31st May: Expenses of Sh 111,630 were paid in respect of estate

5th June : the sum assured by life policy was received.

30th June: The building society deposit was repaid to personal representatives together with interest due.

12th July: Sh. 180,000 9% Government stock was sold ex-int due to 1st August, the net proceeds amounting to Shs. 147,600.

10th August: The debt and funeral expenses, were paid

30th Sept: Bank debited the personal representative: account with interest amounting to Sh. 670 (chargeable to income)

2nd October: The effect was given to the widow's statutory rights in the capital of the estate.

2007

31st Jan: Administration expenses of Sh. 4000 (all chargeable against capital) were paid.

Required

1.a Prepare cash book and estate capital account for the year ended 31st March 2007.

b.Prepare the balance sheet as on that date the widow and children being still alive. (20Mks)

c.Discuss the characteristics of a will. (10Mks)

2. Jembe Mwakalu was named executor of the estate of Jackson Wambua who died on 31st March 2005. The executor prepared the following trial balance.

ESTATE OF JACKSON WAMBUA TRIAL BALANCE 31 MARCH 2005

	Shs.	Shs
Investment		
Shares	185,000	
Bonds	420,000	
Accrued interest receivable	750	
Cash- Principal	108,500	
Cash-Income	2,250	
Household effects	23,750	
Loss on realization	6500	
Gain on realization		97,500
Assets subsequently discovered		55,200
Debt of deceased paid	56,000	
Funeral expenses	95,000	
Administration expenses	25,700	
Estate corpus		792,750
Income		35,750
Expenses –income	3,800	
Distribution of income to	9,950	

beneficiary		
Legacy – Mtoto Jembe Mwakalu	<u>25,000</u>	
	<u>981,200</u>	<u>981,200</u>

Required ;

A charge and discharge statement for the estate of Jembe Mwakalu. (20Mks)

3. Mulu Makove died on 4th February 2006 leaving the following estate:

Binding society deposit	24,033
Interest accrued to date	93
6000 ordinary shares of K£ 1 each in oats plc	5,250
2000 ordinary shares of K£ each in wheat PLC	4,900
Balance at bank	28,126
Personal chattels	1500
K 50,000 12% Government stock	48,000
Free hold house	25,000

Debts due to be paid George amounted to £ 640 and funeral expenses to K£ 342.

By his will he directed

a). That all income accruing during the administration of the estate should be paid to his wife Carol.

b). That the following legacies be paid.

- i. To his wife Carol his personal chattels and the sum of K£ 7000.
- ii. To each of his children and grand children living at the date of his death the sum of K£ 5000.
- iii. Interest on legacies or advances to be ignored

Mulu is survived by his wife Carol his son Peter and grandchildren Cathy (daughter of Peter) Paul and Charles (both sons of the deceased daughter Jane).

All the children and grand children were of full age.

The following transactions took place during the four months ended 31st May 2006.

28th February 2005 Received dividend of 20% for year ended 31 Dec 2004 on shares in oats and half-years interest on the government stock to date.

31st March: Received net proceeds of sale from house K£ 24,750 shares in oats PLC. K£ 5500 shares in wheat PLC K£ 4740 and government stock K£47,500. paid K£ 11250 capital transfer tax, being the whole amount arising on death after into account all reliefs and exemptions.

30th April : Withdraw balance of K£ 24,548 from binding society account including interest to date.

31st May: Paid administration expenses of K£ 1302 (all capital) together with debts, and funeral expenses. Distributed all legacies and residue. Invested trust, fund in 10% Government stock at 71.

Required

Estate capital account and bank account for the period ended 31st May 2005 sharing the administration of the estate. (20Mks)

4a. Discuss the remedies available to the beneficiary when there is breach of trust. (10Mks)

b. What are the duties of Trustees? (10Mks)

5a. Explain at least five duties of personal representative according to the law of succession (CAP 160) (10Mks)

b. Discuss at least five legacies that a testator can bequeath a legatee (10Mks)

