

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.a.After discharging all the debt, funeral expenses and testamentary expenses, the estate of Mr. Paul deceased comprised the following:

| | Shs |
|----------------------------|------------------|
| Bank balance | 316,540 |
| Household furniture | 20,000 |
| Motor car | 15,000 |
| House | 200,000 |
| Binding society deposit | 163,460 |
| Paintings | 100,000 |
| 12 ½ % Kenya Mortgage bank | 150,000 |
| Plot at Kahawa Sukari | <u>90,000</u> |
| Total | <u>1,055,000</u> |

His will proving for the following legacies:

- i. To his widow Jane Shs. 500,000 and his personal belongings
- ii. To his sister Mary Sh. 100,000
- iii. To his son Alex the plot at Kahawa Sukari and Sh. 56,000
- iv. To his daughter Lucy Sh. 150,000 payable out of his loan account with East African Banking Society
- v. To his friend Mwaura, his ordinary shares in Tembo Sacco.
- vi. To his brother Kamau Sh. 150,000
- vii. To the local Golf club 12 ½ % Kenyan mortgage bond

All beneficiaries are of full age

Just before he died Mr. Njoroge had sold his interest in Tembo Sacco for Sh. 500,000 and all the amount due to him had been discharged. Mary and Alex had been killed in road accident six months before Njoroge died. Mary is survival by her son Mark, while Alex is survived by his widow Alice and daughter Ann Alex's will left the whole of his estate to his widow Alice.

Required

- a) Prepare a distribution account showing the final distribution of the estate. (20Mks)
- b) Describe the various types of succession. (10Mks)

2. Mr. Arap Ngeno died on 1st February 2008, leaving the following estate;

| | Shs |
|--|-----------------------|
| Binding society deposit | 50,420 |
| Interest accrued to date | 390 |
| Balance at bank | 49,650 |
| Personal chattels | 36,000 |
| Free hold house | 240,000 |
| Sh. 60,000 10% Government stock | 420,000 |
| 7000 ordinary shares of Sh. 10 each in Kenya breweries | 100,000 |
| 300 Ordinary shares of Sh. 10 each in BAT(K) Ltd | <u>30,000</u> |
| | 926,460 |
| Debt and funeral expenses | <u>10,460</u> |
| | <u>916,000</u> |

His will included the following legacies:

- i. To his wife Jane the freehold house, personal chattels, the ordinary shares in both Breweries and BAT and the sum of Sh. 150,000.
- ii. To his daughter Swan, his land at Ngong and the sum of shs. 216,000.
- iii. To his son George, Herold and Fredrick the sum of Shs. 120,000 each.
- iv. To his sister Caroline the sum of Sh. 100,000
- v. To his friend Charles the sum of Shs. 24,000
- vi. To his brother Victor his holding of Sh. 50,000 saving bank.

He also directed that the residue and any income arising during the administration of the estate should go to his wife Jane.

The Land at Ngong was sold for Sh. 150,000 in 2006 and the savings bonds encashed in 2007. His sister Caroline had died in 2005 and his son Harold died in 2004, leaving the sons John and Philip. All beneficiaries are of full age.

The following transactions took place during the three months period ended 30th April 2008.

28th February: Received dividends of Sh. 10 per share for the year ended 31st December 2007 on shares in Breweries Ltd.

31st March: Received proceeds of sale of Government stock of Sh. 410,000

4th April: Withdrew balance of Sh. 51,570 from binding society a/c including interest to date.

21st April: Paid debt & funeral expenses

Required:

Estate capital account and cash account for the period ended 30th April 2008 showing the administration of the estate. (20Mks)

3. a. Briefly explain how a trustee may cease to hold office. (10Mks)

b. Explain the powers of personal representatives. (10mks)

4. The trust deed relevant to Mr. Joshua trust restricted the trustee to invest in 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 31, 1994, the summarized balance sheet of the trust was as under:-

| Investments | (Sh 000) |
|------------------------------------|----------------------|
| Sh. 10,000,000 8% Kenya Govt Stock | 10,000 |
| (Market value Sh. 9,700,000) | |
| Sh. 10,000,000 7% savings stock | 10,000 |
| (Market value Sh. 10,100,000) | |
| Freehold Land | 8,000 |
| Balance at bank | <u>400</u> |
| | <u>28,400</u> |

Represented by:

Capital fund **28,400**

On 1st April 1994, the trustee decided to avail themselves of the powers and to reinvest half of the shares in wider range securities.

The transactions on capital account of the trustee's up to the year ended 31st March 1995 were:-

- i. 1st April 1994, sold Sh 10,000,000 8% Govt stock for Sh. 9,700,000 and reinvested the whole amount in 4,000,000 Sh 1 ordinary shares of Firestone (E.A.) Ltd.
- ii. 30th June 1995, received Sh 20,000,000 on the sale of freehold land.
- iii. 15th July 1994, paid Sh. 8,00,000 for 6,000,000 Sh 1 ordinary shares of Portland Cement Ltd.
- iv. 30th July 1994, paid Sh. 11,000,000 for Sh 11,990,000 7% Housing Development Bond Stock.
- v. 30th September 1994, paid Sh. 1,400,000 to take up the whole of the trustees entitlement to 1:8 rights issue by Firestone (E.A) Ltd.
- vi. 31st December 1994, received a bonus issue of 1 for 3 ordinary shares in Portland Cement Ltd.

Assume all income was distributed as received.

Required:

- a) Trust Capital Account for the year ended 31st March 1995.
 - b) Trust balance sheet as at 31st March. 1995
- 5a. Discuss the circumstances under which the testamentary gifts can fail. (10Mks)
- b. Describe in order of priorities how the assets; of the estate are distributed. (10Mks)

