

# 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 <sup>st</sup> February and 1 <sup>st</sup> August) | 231,000        |
| Shs. 240,00 2 ½ % savings bond (interest 1 <sup>st</sup> May and 1 <sup>st</sup> Nov.)         | 200,200        |
| Policy on his life   | 300,000        |
| Building society deposit at 8% (Interest 1 <sup>st</sup> Jan- 1 <sup>st</sup> 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:**

31<sup>st</sup> May: Expenses of Sh 111,630 were paid in respect of estate

5<sup>th</sup> June : the sum assured by life policy was received.

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

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

10<sup>th</sup> August: The debt and funeral expenses, were paid

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

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

## **2007**

31<sup>st</sup> 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 31<sup>st</sup> 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 31<sup>st</sup> 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 4<sup>th</sup> February 2006 leaving the follow 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 31<sup>st</sup> May 2006.

28<sup>th</sup> 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.

31<sup>st</sup> 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.

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

31<sup>st</sup> 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 31<sup>st</sup> 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)

