



TECHNICAL UNIVERSITY OF MOMBASA

SCHOOL OF BUSINESS

DEPARTMENT OF ACCOUNTING & FINANCE

UNIVERSITY EXAMINATION FOR:

BACHELOR OF COMMERCE IV

BACHELOR OF IN BUSINESS ADMINISTRATION IV

BAC 4402: TRUST AND EXECUTORSHIP ACCOUNTS

END OF SEMESTER EXAMINATION

SERIES: APRIL, 2025

TIME: 2HOURS

DATE: APRIL, 2025

Instructions to Candidates

You should have the following for this examination

-Answer Booklet, examination pass and student ID

This paper consists of **FIVE** questions. Attempt question ONE (Compulsory) and any other **TWO** questions.

Do not write on the question paper.

QUESTION ONE

(a) Discuss the actions of the testator that can cause a will to be revoked. **(10 Marks)**

(b) Mwita died on 1st January, 2023. He left the residue of his estate to be held in trust for the benefit of his wife for her life and her death to be shared amongst his children Chacha, Marwa and Kiraka. His 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 life but allowing the trustee to dispose it as she wishes.

On 1st January 2023, his house was valued at sh. 1,300,000. He held 10,000, shares sh 20 in KBL valued at sh 42-48 and Sh 500,000 Nominal 12% Kenya Government Stock valued at 90-92 (interest payable on 30th June and 31st December) and sh 250,000 in the bank. His death and funeral expenses amounted to sh 30,000.

The trustees assumed office on 1st July, 2023, KBL shares were quoted at sh 48-50 and the 12% Kenya Government stock was valued at 88 -92.

During the year ended 30th June, 2018, the following transactions took place:

2023

- July 1 Received interest on the 12% Government stock
- July 31 Purchased 5,000 ordinary shares in Swara ltd. using all the available wider range funds
- August 20 Found a suitable buyer for the house at shs.3,000,000.
- September 30 Received interim dividend on the KBL at 10% for half year ended 30th June, 2023
- October 31 Purchased shs 1,000,000 9% Treasury stock at 96 cum- int (interest payable on 1st January And 1st July)

2024

- January 1 Received interest on the 12% government stock.
- January 1 Purchased 60,000 shs 20 each ordinary shares in Sungura Ltd at 125.
- January 1 Received interest on 9% treasury stock.
- March 31 Received final dividend on the KBL shares of 15%.

Required: Trust balance sheet as at 30th June, 2024.

(20 Marks)

Question Two

Onyango died on 31st March, 2023. After discharging all debts (other than the principal of the mortgage), funeral expenses, testamentary expenses and capital transfer tax, the estate comprised the following:

	shs 000	shs 000
Balance at bank		30,200
Household furniture		6,000
Motor car		2,000
Stamp collection		12,000
Ornamental clocks		2,000
Country cottage		20,000
Dwelling house	30,000	
Less mortgage	<u>25,000</u>	5,000
10,000 9% British Government stock		<u>9,000</u>
		<u>86,200</u>

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

- 1) His stamp collection to his sister Sophie:
- 2) His personal chattels, other than guns and fishing equipment to be divided equally between his children, Leopold, Amina and Marianne:
- 3) To his brother, Faninal, his guns and fishing equipment:
- 4) To his son, Leopold, his dwelling house, subject to the mortgage thereon.

The mortgage is for shs 25,000,000 bearing interest at 12% payable on 31 March and 30 September. The interest due on 31 March had been paid prior to death. That due on 30 September has been paid by the estate.

- 5) To his three children shs 25,000,000 each;
- 6) To his daughter Amina, his holding of shs 10,000,000 9% British Government Stock (interest 3 April and 3 October)
- 7) To his sister, Salome shs 10,000,000.
- 8) The residue, if any, to be divided between the children.

The guns and fishing equipment had been stolen in February 2020 and the insurance proceeds of shs 1,500,000 were received on 30 March 2021. Salome was killed in an accident on 28 August 2019.

Required:

Prepare a Distribution Account on 31st May, 2023 showing the final distribution of the estate and giving amounts of the cheques to be drawn to the beneficiaries. **(20 Marks)**

Question Three

Maisha Mingi died on 31 October 2022 and left his estate as follows:-

	Sh.
Household furniture	45,000
Cash in house	1,000
Cash in bank	125,000
10,000 ordinary shares of sh. 10 each in BAT Kenya Limited, valued at sh. 15 per share	150,000
Investment at 6 per cent on freehold property shares (Interest thereon paid to 30 June 2022)	200,000
Share in business of Maisha Mingi & Co. valued at date of death	613,200
Sundry debtors	10,000
His liabilities amounted to	2,500
Funeral expenses amounted to	5,000

A legacy of sh. 10,000 was bequeathed to his executor and was paid on 28 January 2023. the residue of the estate was left in trust of this infant son.

The household furniture was sold on 15th December 2022 for sh. 48,000. The shares in BAT were sold on the same date at sh. 14.50 ex.div, a dividend being received on 25 January 2023 at 10% for the year ending 31 December 2022. Interest on investment in freehold property shares was received on 31 December 2022, on which date the share in the business of Maisha Mingi & Co. was received with interest at 5 per cent per annum.

The liabilities and funeral expenses were discharged on 20 December 2022 on which date sh. 5,000 of the debtors due were received, the balance being unpaid at the date of preparation of the accounts.

Required:

- a) The Estate Cash Book. **(4 Marks)**
- b) The Estate Capital Account. **(6 Marks)**
- c) The Estate Income Account. **(4 Marks)**
- d) Balance Sheet of Maisha Mingi, deceased, as at 31 January 2023 **(6 Marks)**

Question Four

- (a) Discuss any **SEVEN** duties of a trustee **(7 Marks)**
- (b) Elaborate on the rules governing gifts in contemplation of death **(6 Marks)**
- (c) Explain the factors considered when dealing with the issue of dependence **(7 Marks)**

Question Five

- a) Discuss any **FIVE** types of legacies that a testator can bequeath a beneficiary **(10 marks)**
- b) What can cause a trust relationship to be terminated? **(10 marks)**