



TECHNICAL UNIVERSITY OF MOMBASA

SCHOOL OF HUMANITIES AND SOCIAL SCIENCES

DEPARTMENT OF BUSINESS ADMINISTRATION

UNIVERSITY EXAMINATION FOR:

BACHELOR OF COMMERCE/BACHELOR OF BUSINESS ADMINISTRATION

BAC 4404 TRUST AND EXECUTORSHIP ACCOUNTS

END OF SEMESTER EXAMINATION

SERIES: MARCH 2025

TIME: 2 HOURS

DATE: Pick Date Select Month Pick Year

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) Explain the Merits and Demerits of legislation of Matrimonial properties Act (2012) and the marriage and divorce Act (2018) in relation to section 42 of succession Act Cap 160 laws of Kenya (8 marks)
- b) Discuss how a trustee can be appointed and terminated (6 marks)
- c) Explain the fundamental characteristics of a will (6 marks)

Mr Maiti dies intestate, leaving two wives, Sofia and Halima whom he married under a system of law which permits polygamy; a third wife Asha had predeceased him. Sofia has children Moja, Pili and Tatu; Asha had children Ene and Tano; Halima has no children. All the children are alive at the time of Mr Maiti's death. The value of his personal and household effects was Shs.35,000,000 and the value of the net residue of the estate was Shs.140,000,000. How should his estate be divided? (10marks)

Question TWO



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Tajiri (aged 55) died in a car accident on 30 October 2023. On 1 February 2024 after his Executors had paid all debts (except for the Loan for his freehold house and debt to Kielewee) testamentary and funeral expenses, his estate was ascertained as follows:

Details	Shs. '000'	Shs. '000'
Cash in bank accounts		10,000.00
Freehold house		50,000.00
Toyota corolla		4,000.00
Nissan sunny		3,500.00
Television and music system		145.00
Debt due from Peponi		1,500.00
Furniture and personal effects		500.00
100,000 ordinary shares in Korosho Ltd		1,000.00
50,000 ordinary shares in Mnazi Ltd.		1500.00
Sh.800,000 10% Maembe stock		8,000.00
Income received to date		2500.00
Interest	5,500.00	
Dividend from Kakajuni Limited	1,050.00	
Less: Loan interest paid 31 December 2023	(5,000.00)	1,550.00
		84,195.00

Extracts from Tajiri will left bequests as follows:

1. To each of my sons. Mimi, Wewe, and Wao Sh.2 million.
2. To my wife Sisi, I leave my furniture, household and personal effects and the residue of my estate.
3. To my daughter Sisa, my freehold house free of all duties. The house was subject to a mortgage of Sh.15 million carrying interest at 20% per annum payable 31 March and 30 September. Duty on the house amounts to Sh.1,300,000.
4. To my friend Sasa, one of the Muchoozir cars owned by me at the time of my death he may choose.
5. To my Safi Sh.200,000.
6. To my sisters-in-law Sh.500,000
7. To my cousin, Safu, my painting of Mosochi.
8. To my driver Boda Sh.300,000



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9. To my friend Sufu, my holding of Sh.800,000 110% maembe, Tajiri owed Sufu Sh.300,000.
10. To my sister Susu Sh.300,000
11. To my personal assistant, Msaidizi half of my holdings in Korosho Ltd.
12. To my niece Tafa, 4,000 ordinary shares from my holding of such shares in Korosho Ltd.
13. To my nephew Tata Sh.200,000 payable out of my shares in Korosho Ltd.
14. To my friend Safi Sh.500,000.
15. To my neighbour, Ubea Sh.500,000.
16. To my sister Tifa, Sh.1,000,000 to establish a business.

Tajiri Executors ascertained the following beneficiaries were dead:

- Son Mimi died in 2020 leaving a wife and two children.
- Son Mao died in 20121 leaving a wife.
- Sister Susu died in 2017 leaving two daughters.
- Driver, Boda aged 57 died in the same accident as Tajiri. It was impossible to determine the order in which Tajiri and Boda died.

The executors also advise you that:

- (i). Sasa chose the Toyota corolla
- (ii). Tajiri sold his painting of the Mosochi using the proceeds to purchase his holding in Mnazi Ltd.
- (iii). There is no such investment as 110% Maebe stock. The referees in the will to 110% is thought to be a typing error not previously noticed.
- (iv). Ubea replied in writing that he did not want anything from Tajiri because Tajiri was a bad neighbour.
- (v). Tajiri paid the Sh.1,000,000 during his life to his sister Dada to establish a business.

Required:

- (a) A statement showing the distribution of Tajiri's estate on 1 February 2024. (16 marks)
- (b) A list of legacies to which the Executors should not assent, briefly give reasons for the decision. (4 marks)

Question THREE

- a) Elaborate on the causes of failure of legacies and gifts of residue (10marks)
- b) Maisha and Masha are life tenants of a trust set up by their uncle. The trustees have investment powers restricted to those contained in the Trustee Act (Chapter 167 of the Laws of Kenya) except they could hold at their absolute discretion 300,000 shares of Sh.10 each in Kilimanjaro Enterprises Limited, a horticultural exporting company run by the uncle.

On 31 March 2017, the balance sheet of the trust was as follows:



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		Sh.'000'	Sh.'000'
Fixed interest investment:	Sh.2 million 10% Kenya stock 2022 (cost)	2,000	
	Sh.2 million 9% Kenya stock 2021 (cost)	1,800	
	Cash at bank	<u>200</u>	4,000
Wider range investments:	40,000 shares of Sh.100 in E.A. Breweries Ltd (cost)		4,000
Special range investment:	300,000 shares in Kilimanjaro Enterprises Ltd. (cost)		<u>3,000</u>
Trust capital			<u>11,000</u>
Fixed interest fund			4,000
Wider range fund			<u>3,000</u>
Special range fund			<u>11,000</u>

In the year to 31 March 2018, the following occurred:

2017

- 30 June Interest for the year ended 30 June 2017 was received on 10% Kenya stock. School fees for Maisha and Masha were paid immediately using the whole amount received.
- 30 September A final dividend of 75% for the year ended 30 June 2017 was received from E.A. Breweries Ltd. (payout rate 10%).
- 30 September The E.A. Breweries Ltd. shares were sold at Sh.110 each. At the same time, a satisfactory buyer was found for the 300,000 shares in Kilimanjaro Enterprises Limited – these shares were sold for Sh.15 each. Some high yielding 12% Kenya stock 2018 was available at par on this date. It was decided to use all the wide range cash available to purchase this stock and designate it a wider range investment.
- 31 December Interest was received for the year on the 9th Kenya stock and Sh.42,000 interest was received on the fixed interest cash at bank.

2018

- 28 February 61,250 Sh.10 ordinary shares in ICDI Limited were purchased for Sh.40 per share using the fixed interest cash and a suitable swich was made to ensure adherence to the requirements of the



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Trustee Act. The market value of the 12% Kenya stock on this date was still par.

31 March All remaining income cash was paid across to the life tenants, after trust administration expenses of Sh.120,000 were paid for the year.

Required:

Write up the trust cash account, the income account (showing payments to beneficiaries in this account) and the trust capital account for the year ended 31 March 2018. (10marks)

Question FOUR

Muchoozi died on 31 October 2023 and left his estate as follows:

	Sh
Household furniture	45,000
Cash in house	1,000
Cash at bank	125,000
5,000 ordinary shares of Sh.20 each in KFC Ltd. Valued at Sh.30 per share.	150,000
Investment at 5% on freehold property securities (interest thereon paid to 30 June 2024)	200,000
Share in business of Muchoozi & Co. valued at death	613,200
Sundry debtors	10,000
His liability amounted to	2,500
Funeral expenses	5,000

The following additional information is available:

1. A legacy of Sh.10,000 was bequeathed to his executor and was paid on 28 January 2023.
2. The residue of the estate was left in trust for his infant son.
3. The household furniture was sold on 15 December 2023 for Sh.48,000.
4. The shares were sold on the same date at Sh.29 ex div: a dividend being received on 25 January 2024 at 10% for the year ending 31 December 2024.
5. Interest on investment in freehold property securities was received on 31 December 2024, on which date the shares in the business of Muchoozi & Co. was received with interest at 5% per annum.



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6. The liabilities and funeral expenses were discharged on 20 December 2024 on which date Sh.5,000 of the debts due were received. The balance being unpaid at the date of preparation of the accounts.

Required:

- (a) Journal entries to record the above transactions (5 marks)
- (b) The Estate cash book (4 marks)
- (c) The Estate income account (3 marks)
- (d) The Estate income account (5 marks)
- (e) Balance sheet of Muchoozi: deceased as at 31 January 2001 (3 marks)

(Total: 20 marks)

Question FIVE

- a) Discuss the prerequisites of a valid will (10marks)
- b) Discuss the following
 - i. A special (or specific) legacy (2marks)
 - ii. A general legacy (2marks)
 - iii. A gift of residue (2marks)
 - iv. Cumulative and substitutional legacies and devises (2marks)
 - v. A demonstrative legacy (2marks)

