



TECHNICAL UNIVERSITY OF MOMBASA

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SCHOOL OF BUSINESS  
DEPARTMENT OF ACCOUNTING & FINANCE  
**UNIVERSITY EXAMINATION FOR:**  
BACHELOR OF COMMERCE IV  
BACHELOR OF IN BUSINESS ADMISTRATION IV  
BAC 4404: 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.**

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**Question One**

- (a) According to Trustee Act (Cap 167 of the Laws of Kenya), discuss three certainties of an express trust. **(3 Marks)**
- (b) Explain circumstances under which a trust relationship can be terminated. **(6 Marks)**
- (c) Hayati Mtukufu died on 31 October 2023 and left his estate as follows:-

	<b>Sh.</b>
Household furniture	45,000
Cash in house	1,000
Cash in bank	125,000
10000 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 Hayati Mtukufu & 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 2024. the residue of the estate was left in trust of this infant son.

The household furniture was sold on 15<sup>th</sup> December 2023 for sh. 48,000. The BAT shares were sold on the same date at sh. 14.50, a dividend being received on 25 January 2024 at 10% for the year ending 31 December 2023. Interest on investment in freehold property shares was received on 31 December 2022, on which date the share in the business of Hayati Mtukufu & Co. was received. The liabilities and funeral expenses were discharged on 20 December 2023 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:**

- i. Estate Capital Account. **(4 Marks)**
- ii. Estate Cash Book. **(6 Marks)**
- iii. Estate Income Account. **(4Marks)**
- iv. Balance Sheet of Hayati Mtukufu, deceased, as at 31 January 2024 **(7 Marks)**

**Question Two**

Ledua and Dimba are life tenants of a trust set up by their uncle. The trustee have investment powers restricted in the trustee Act (Cap 167 of the Laws of Kenya) except they could hold at their absolute discretion 300,000 shares of sh 10 each in Kilimanjaro Enterprises Ltd, a horticultural exporting company run by the uncle. On 31<sup>st</sup> March 2018, the balance sheet of the trust was as follows:

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

In the year to 31<sup>st</sup> March 2019, the following occurred:

- 30 June : Interest for the year ended 30 June 2002 was received on 10% Kenya stock. School fees for Ledua and Dimba were paid immediately using the whole amount.
- 30 September: A final dividend of 7.5% for the year ended 30 June 2012 was received from EA Breweries ltd.
- 30 November : The EA Breweries were sold at sh 110 each. At the same time a satisfactory buyer was found for the 300,000 shares in Kilimanjaro Enterprises Ltd. – these shares were sold for sh 15 each. Some

1 December : Used all the cash available for on the narrower range investment to buy 9% Government stock at par cum- interest  
 31 December: Interest was received for the year on the 9% Kenya stock and shs 42,000 interest was received on the Fixed interest cash at bank.

2019

28 February : 61,250 sh 10 ordinary shares in ICDC Ltd was purchased for sh 40 per share.  
 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:**

- a) Trust accounts **(12 Marks)**
- b) Trust Balance Sheet as at 31<sup>st</sup> March, 2019. **(8 Marks)**

**Question Three**

- (a) Discuss the duties of a trustee **(10 Marks)**
- (b) Under what circumstances is the executor allowed to ignore the provisions in the will? **(10 Marks)**

**Question Four**

Marebwa died in plane crash on 31 December 2017 and by will Executors had paid all debts testamentary and funeral expenses and inheritance tax, except the mortgage referred to below: Marebwa was aged 64 when he died and his estate consisted of the following assets on 1 may 2018.

	shs	shs
Freehold house		150,000
Furniture and personal effects		30,000
Racehorse (Giant’s Castle)		7,000
Racehorse (Italian Tour)		25,000
Debt owed by Michael		500
2000 ordinary shs. 1 shares in Jason Ltd		42,500
3200 ordinary shs. 1 shares in Clean-cut Ltd		21,500
Cash at bank		95,200
Income received to date:		
Bank interest	1,700	
Dividend from Jasop Ltd	600	
Dividend from clean-cut Ltd	420	
	2,720	
Less: Mortgage interest paid		
31 March 2018	2,500	
	220	220
		376,420

Allan's will dated January 2009 left the following bequests:

- (a) To my wife Linda all my furniture and personal effects and the residue of my estate after payment of all legacies and debts and expenses.
- (b) To my brother James my double-barreled shotgun.
- (c) To my sons Ian and Mark shs 25,000 each.
- (d) To my gardener, Jake, some pieces of my furniture.
- (e) Shs. 2,000  $3\frac{1}{2}\%$  War Loan investments to my nephew Peter.
- (f) To my good friend Elsie my 4,000 ordinary shs1 shares in Carefree Ltd.
- (g) To my colleague Simon whichever of the racehorses owned by me at my death he may choose.
- (h) To my son Harold my freehold house subject to any mortgage thereon. (The house was subject to a shs. 50,000 mortgage with fixed interest of 10% per annum payable on 31 March and 30 September).
- (i) To Susie, shs. 2,500.
- (j) To my secretary Fiona the debt which is owed to me by Michael.
- (k) To my local tennis club the sum of shs. 5,000 to be used towards the building of a new changing room.
- (l) To my business partner, Adam, the sum of shs 10,000.
- (m) To my accountant friend Claire my Chinese vases which she knows I value highly.
- (n) To my friend Susie the sum of shs 1,000.

Further information received by the executors of Allan's estate.

- i. Marebwa's son Ian died 2016 leaving a wife but no children.
- ii. Marebwa's business partner, Adan (aged 71) died with Marebwa in the plane on 31 December 2017. It was not possible to ascertain which of the two died first.
- iii. The Chinese vases were stolen in January 2015 and the insurance proceeds of shs. 21,000 were received in March 2015.
- iv. Marebwa had sold his double-barreled shotgun in 2016
- v. Simon elected to take the racehorse Italian Tour.
- vi. Marebwa had never owned any  $3\frac{1}{2}\%$  War Loan Investments. At the date of his death the value of shs. 2,000 nominal  $3\frac{1}{2}\%$  War Loan Investment was shs. 820.
- vii. In 2008 Marebwa had given his local tennis club shs. 5,000 which had been used to build changing rooms.
- viii. In 2007 Carefree Ltd merged with shining ltd to form a new company, Clean-cut ltd. Marebwa received 3,200 shs. 1 ordinary shares in Clean-cut ltd in exchange for his 4,000 ordinary shs. 1 shares in Carefree ltd.

**Required:**

A charge and discharge account at the end of the executorship.

**(20 Marks)**

**Question Five**

After discharging all the debts, funeral expenses and testamentary expenses, the estate of Mr. Mulahi decreased comprised the following:

	Sh.
Bank balance	316,540
Household furniture	20,000
Motor car	15,000
House	200,000
East African Building Society	163,460
Painting	100,000
12 ½ % Kenya mortgage bond	150,000
Plot at Vikwatani	<u>90,000</u>
	<u>1,055,000</u>

His will provides for the following legacies;

- i. To his widow Mjane sh.500,000 and his personal belongings.
- ii. To his sister Mwanaisha sh.100,000.
- iii. To his son Aleko the plot at Vikwatani and sh.56,000
- iv. To his daughter Binti sh.150,000 payable out of his loan account with East African Building Society.
- v. To his friend Mwaura, his ordinary shares in Tembo SACCO.
- vi. To his brother Kalama sh.150,000.
- vii. To the local Chama, 12 ½% Kenyan mortgage bond.

All beneficiaries are of full age.

Just before he died Mr. Mulahi had sold his interest in Tembo SACCO for sh.500,000 and all the amount due to him had been discharged.

Mwanaisha and Aleko had been killed in a road accident six months before Mulahi died. Mwanaisha is survived by her son Mark, while Aleko is survived by his widow Kasupuu and daughter Nyanya. Aleko's will left the whole of his estate to his widow Kasupuu.

**Required:**

Prepare a distribution account showing the final distribution of the estate. **(20 Marks)**