

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

FOURTH YEAR EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR
OF COMMERCE MANAGEMENT

BCOM 416: TRUST AND EXECUTORSHIP ACCOUNTING

STREAMS: BCOM (Y4S1)

TIME: 2 HOURS

DAY/DATE: FRIDAY 26/03/2021

11.30 A.M. – 1.30 P.M.

INSTRUCTIONS: Answer question ONE and any other TWO questions

QUESTION ONE

- (a) Explain the features of a valid oral will [4 marks]
- (b) Explain four powers of a trustee [6 marks]
- (c) Musenya died on 31st October 2017 and left this estate as follows:

| | Shs. |
|---|---------|
| House hold furniture | 100000 |
| Cash in house | 5000 |
| Cash at bank | 350000 |
| 10000 ordinary shares of sh. 20 each in KFC ltd values at shs. 30 per share | 350000 |
| Investment at 5% on freehold property securities (interest thereon- paid to 30 June 2017) | 410000 |
| Share in business of Mali & Co valued at death | 1300500 |
| Sundry debtors | 25000 |
| His liabilities amounted to | 6000 |
| Funeral expenses | 22000 |

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The following additional information is available;

- (a) A legacy of shs. 20000 was bequeathed to this executor and we paid on 28 January 2018
- (b) The residue of the estate was left in trust for his infant son.
- (c) The household furniture was sold on 15 December 2012 for shs 000
- (d) The shares were sold on the same date at shs 29 ex div, a dividend being received on 25 January 2018 at 10% for the year ending 31 December 2017.
- (e) Interest on investment in freehold property securities was received on 31 December 2013, on which date the shares in the business of Mali & Co. was received with interest at 5% per annum.
- (f) The liabilities and funeral expenses were discharged on 20 December 2017 on which date shs.15000 of the debts due were received, the balance being unpaid at the date of preparation of accounts.

Required:

- (i) The estate cash book [6 marks]
- (ii) The estate income account [4 marks]
- (iii) The estate capital account [6 marks]
- (iv) Statement of financial position of Malin deceased as at 31 January 2018

[4 marks]

QUESTION TWO

- (a) Explain the various types of legacies that may be bequeathed by a will.

[8 marks]

- (b) George had three wives but one had predeceased him. Lena has three children Patrick, Peris and Simon. Betty (deceased) had two children Black and White. Carol had no children. All the children are alive at the time to Mr. Gibson's death. The value of his personal and household effects was shs.410,000 and the value of the net interstate estate was shs.6,000,000

Required:

- A clear statement to show how Mr. George property would devolve [8 marks]
- (c) Distinguish between executorship and trusts [4 marks]

QUESTION THREE

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(a) W, X, Y and Z are beneficiaries under a trust, and share the income in the proportions of 3:4:2:1 respectively. All beneficiaries are minors. From the following trial balance, extracted from the books of the trust as on 3rd October 2013.

| TRUST TRIAL BALANCE | SHS. “000” | SHS. “000” |
|---|-------------------|---------------------------|
| Trust Capital Account | | 31,754 |
| Beneficiaries Maintenance Account | A | 196 |
| | B | 217 |
| | C | 154 |
| | D | 146 |
| Trust Income Account | | |
| Accumulations Income Account | | 2,513 |
| Trust capital Investment (at cost) | | 31,754 200 |
| Accumulations a/c investments (at cost) | | 3,520 |
| Beneficiaries’ accumulations accounts: | | |
| At beginning of year - | A | 352 |
| | B | 528 |
| | C | 704 |
| Cash at Bank | D | <u>2000</u> <u>1,936</u> |
| | | <u>37987</u> <u>37987</u> |

Required: A statement showing the beneficiaries accumulations’ accounts for the year and a balance sheet as on 3rd October, 2013 [15 marks]

(b) Distinguish between secret and protective trusts [5 marks]

QUESTION FOUR

You have been invited in an executorship seminar to make a case for and against inheritance. Prepare a comprehensive memorandum for this case [20 marks]