

CHUKA



UNIVERSITY

**UNIVERSITY EXAMINATIONS  
CHUKA/EMBU**

**EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF COMMERCE**

**BCOM 416: TRUST AND EXECUTORSHIP ACCOUNTING**

**STREAMS: BCOM**

**TIME: 2 HOURS**

**DAY/DATE: THURSDAY 06/12/2018**

**2.30 P.M – 4.30 P.M**

**INSTRUCTIONS**

- **Answer question one and any other two questions**

**QUESTION ONE**

(a) Explain various ways in which a trustee may cease to hold office. [6 marks]

(b) A court may invalidate a will in certain circumstances. Explain various ways /reasons of invalidating a will. [5 marks]

(c) Mkora (aged 49) died in a road accident on 31<sup>st</sup> dec 2014 on 1<sup>st</sup> June 2015 its excutors began the executorship process and ascertained his estate as follows;

Details	ksh '000'
Cash at bank	5250
10,000 ordinary shares of safaricom	1,000
Personal house hold effects	340
Freehold house	2140
Mercedes benz (two)	1000
Key board	20
Television and mouse system	40
Income (dividend secured	<u>120</u>

9910

Liabilities

Creditors (unsecured)	45	
Tax due	<u>10</u>	
Estate capital		<u>55</u>
		9855
		=====

Extracts from mkoras will were as follows:

1. To my driver, chauveli (aged 40) ksh 40,000
2. To my wife, kalee, my freehold house, personal and house hold effects and any residue.
3. To each of and my two sons ,karani and ndeto ksh 800,000
4. To my niece, mutio a keyboard if she joins praise and worship team.
5. To my friend oloo, my fiat car
6. To my cousin nipa my painting of mausoleum.
7. To my neighbor, kikwete ksh 10,000
8. To my secretary habida ksh 200,000 if she falsifies the birth certificate of our illegitimate child.

The execution further ascertain the following;

1. Chauveli died in the same accident as mkora, however he was survived by his son, kennedy.
2. Mr .Mkora owned a hotel worth ksh 2,000,000 and realized income of ksh 650,000 during executorship
3. Executorship fee and funeral expenses were ksh 100,000 and 150,000 respectively.
4. Karani died in 2013 and was survived by a wife.

Required :

- (i) Account to record the devolvement of the estate. [10 marks]
- (ii) A distribution schedule for presentation to the probate court. [9 marks]

## QUESTION TWO

- (a) Explain the probate process in Kenya. [6 marks]
- (b) Mr. Baraka died when his two children were below majority age. Oloo and Onyango were placed under the care of their uncle who seized their fathers property and established a trust for the children. He presented a trust deed on the said property and was approved by a court of law. The balance sheet of the trust was as follows on 1<sup>st</sup> January 2017.

Oloo and Onyango  
Trust balance sheet  
As at 31<sup>st</sup> Dec 2016

Fixed interest investment

7% Kenya govt stock	40,000,000
12% treasury bill	5,000,000

Wide interest investments

10000 ordinary shares of Kenya power	50,000,000
50,000 ordinary shares of Kenya ports	3,000,000

## Special interest investments

Land	10,000,000
Cash at bank income	<u>6,000,000</u>
	114,000,000
	=====

## Represented by:

Fixed funds	45,000,000
Wide funds	53,000,000
Special funds	10,000,000
Life tenants	<u>6,000,000</u>
	114,000,000
	=====

## Additional information

- (i) The trustee sold the land for ksh 15,000,000
- (ii) The trustee received ksh 50,000 and 40,000 as dividends from Kenya power and Kenya ports authority.
- (iii) The trustee purchased 7% kenya govt stock for ksh 6,000,000 and additional 5,000 shares safaricom at ksh 5,000,000.
- (iv) Trustee paid ksh 1,000,000 and 58,000 to Oloo and Onyango respectively.

**Required :**

- (i) Record the above transactions in relevant accounts. [7 marks]

- (ii) A new trust balance sheet. [3 marks]

**QUESTION THREE**

- (a) Using examples explain the investment options of trustee under the trustee act.

[9

marks]

(b) A wealthy businessman established of trust for 10 orphan and requested the trustee to run it as per trustee act. The capital found for the trust was ksh 50,000,000. The trustee made the following

- (i) Bought 12% treasury bills of ksh 4,000,000
- (ii) Bought agricultural land for ksh 3,000,000 to farm to support the orphans.
- (iii) Bought 10,000 safaricom shares ksh 10,000,000 and 5,000 equity ltd shares ksh 500,000.
- (iv) Paid ksh 50,000 maintenance fee to the orphanage kitchen.
- (v) Paid ksh 200,000 as school fees for children
- (vi) Safaricom paid some interim dividend of ksh 20,000
- (vii) Equity send ksh 5,000 as interim dividend.

**Required :**

- (i) Record the above transactions in the trust books of account. [7 marks]
- (ii) Extract the new trust balance sheet. [4 marks]

**QUESTION FOUR**

(a) Otongo died intestate and had four wives married under the customs. The first wife (b) and third wife him but each had three children respectively. The second wife and fourth wife are living but they have zero and four children respectively. You determine the property of Ongolo at ksh 2,870,000 with personal and house hold effects at ksh 430,000.

**Required :** Devolve his estate. [10 marks]

- (b) What are the remedies to a beneficiary who discovers a trustee has breached a fiduciary duty. [10 marks]