

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF COMMERCE

BCOM 416: TRUST AND EXECUTORSHIP ACCOUNTING

STREAMS: Y4S1

TIME: 2 HOURS

DAY/DATE: WEDNESDAY 4/12/2019

1.30 A.M – 1.30 P.M

INSTRUCTIONS

Answer question one and any other two questions

1. (a) Explain the remedies that beneficiaries have against the trustees. [8 marks]
 (b) Mathew died on 30th October 2015 and left his wstate as follows;

	Ksh
House hold furniture	1,980,000
Cash in house	20,000
Cash at bank	2,500,000
10,000 ordinary shares of ksh 200 each in fina ltd	
Valued at ksh 250 per share	3,000,000
Share in business of Nahashon & co valued at death	10,624,000
Sundry debtors	210,000
Liabilities	53,000
Funeral expenses	92,000

The following additional information is available.

1. A legacy of ksh 195,000 was bequeathed to his executor and was paid on 28 January 2016
2. The residue of the estate was left for infant daughter
3. The household furniture was sold o 15 December for ksh 2,560,000

4. On 31 December 2012, the shares in the business of Nahashon and co received interest at 5% per annum.
5. The liabilities and funeral expenses were discharged on 20 December 2012 on which date ksh 100,000 of the debts due were received.

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 capital account [5 marks]
- (e) Statement of financial position of Mathew, deceased as at 31 January 2016. [3 marks]

QUESTION TWO

- (a) List and explain five powers of an executor. [10 marks]
- (b) Plato died on 1st July, 2015 intestate , he was survived by two wives who had three and five children respectively. One of second wifes child had been born out of wedlock. His personal household effects were ksh 50,000. On 1st July 2015 his house was valued at Ksh 250,000,000. He held 20,000 shares of ksh 10 each in coop bank valued at ksh 55,000 and ksh 1,000,000 15% Kenya government bond and ksh 300,000 in the bank. His debt and funeral expenses amounted to ksh 40,000.

Required :

Devolve his estate assuming all assets were liquidated by end of December,2015. [10 marks]

QUESTION THREE

- (a) Explain instances when a bequest in a will can be rendered invalid. [7 marks]
- (b) The parents of Oloo Onyango and Omolo died in March 2018. Friends and well-wishers organized a fund raising in May 2018 which raised ksh 6,960,000. This money was to cater of the three orphans. Mr Hesborn, who was appointed the trustee, invested this amount as follows:

Ksh

9,600 ordinary shares of ksh 10 per value in karagita ltd 2,500,000

13,200, 10% government stock of ksh per value	1,000,000
Land	1,960,000

The trustee had wide powers including disposing the land. During the year Onyango reached twenty one and was to get his share of estate.

The following transactions took place during the year,

- (i) Maintenance payments were made as follows;
 - Oloo ksh 154,000
 - Onyango kah 162,000
 - Omolo 188,000
- (ii) Land was sold for ksh 2,700,000 during the year.
- (iii) The government paid the interest on stock promptly
- (iv) All shares in Karagitaa were disposed for ksh 3,000,000 on the date of trust balance sheet.
- (v) Ksh 700,000 from the land sell was used to buy shares in 10% government stock.

Required :

- (a) Trust capital, cashbook and life tenants account [9 marks]
- (b) The trust balance sheet [4 marks]

QUESTION FOUR

- (a) Explain instances in which an oral will can be valid. [5 marks]
- (b) Peter Ruigi died on 1st January 2010 leaving the following estates.

	Ksh
SACCO deposits	480,000
Interest accrued of SACCO deposit	1,860
6000 ordinary shares of ksh 20 each in XYZ ltd	105,000
2000 ordinary shares of ksh 20 each in mrefu ltd	98,000
Balance at bank	562,520
Personal and household effects	30,000
Ksh 1,000,000 12% government stocks	960,000
Freehold property	500,000
Debts due to be paid by Peter Ruigi amounted	12,800

The funeral expenses incurred upon his death amounted to ksh 69,400

Peter Ruigu had in his will made the following bequest.

- (i) To my wife Jane household and personal effects and sum of ksh 100,000
- (ii) To my son Johny and Luke the sum of ksh 50,000
- (iii) To my brother Simon , my holding of ksh 1000 ordinary share in maji ltd
- (iv) To my sister Grace the sum of ksh 40,000
- (v) To my daughter Penny, the sum of ksh 70,000

The following transactions took place during the four months ended 30th April 2010

1st January 2010:Received dividend of 10% for the year ended 31st December 2009 on share on XYZ ltd and half year's interest on the 12% government stocks to date.

2nd March : Paid tax amounting to ksh 104,000

31st March 2010:paid administrative expenses of ksh 26,400 together with debts due and funeral expenses.

You further ascertain the following:

- (i) Peter Ruigu was survived by his wife Jane ,his son Johny, daughter Penny and brother Simon.
- (ii) Luke and Grace died in a road accident in May 2009.
- (iii) Luke was survived by his widow Beth who had no children
- (iv) Grace was survived by her two sons, Steve ad Joe

All legacies were distributed on 30th April 2010.

Required

Record the distribution of the estate in books of account.

[15 marks]
