

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

EXAMINATION FOR THE AWARD OF DEGREE
OF BACHELOR OF COMMERCE

RESIT/ SPECIAL EXAMINATION

BCOM 416: TRUST AND EXECUTORSHIP ACCOUNTING

STREAMS: BCOM/BTHM Y3S2

TIME: 2 HOURS

DAY/DATE: WEDNESDAY 18/11/2020

5.00 P.M. – 7.00 P.M.

INSTRUCTIONS: Answer question ONE and any other TWO

QUESTION ONE

- a) Describe the five steps in a probate process (10 Marks)
- b) Tito died on 31st October 2004 and was survived only by Mwelu his grandson, the son of his son Mutua. By his will which barred equitable apportionment and was silent on the date of payment of legacies, he left his estate as follows:
- To my cousin Mlefu my beach plot
 - To my friend Okerio my car
 - To my nephew Pamba my boat
 - To each of my two sons Shs8,000
 - To my brother in-law Shs2,500
 - To my housekeeper Asha if still in my employment Shs.19,000.
 - To Pastor of my Church Charles Shs.5,000.
 - To my local Church Shs.60,000 to buy a piano in memory of my deceased mother.
 - To my Shamba-boy Kiwewe, if still in my employment Shs2,100
 - To each of my neighbours Wambugu, Were and Langa Kshs 800
 - To the water game club, my outboard engine and to my grandson Mwelu the residue

BCOM 416

absolutely.

On 30th April 2005, the executors having paid all liabilities of the estate and the expenses of administration were ready to assent to the legacies. The property in their possession and its value at that date was:

	KShs.
Car Fiat	90,000
Car Toyota	50,000
Boat	20,500
Furniture	90,500
Farm	40,000
Beach Plot	1,200,000
Shs150,000 6% government bond	120,000
Balance at bank	168,800

You further obtain the following additional information:

- (i) Pamba died on 30th April 2004
- (ii) Tito had two brother-in-law surviving at 31st October 2004
- (iii) Asha was still employed at 31st October 2004
- (iv) During his life time, Tito had provided his local Church with a piano in memory of his late mother.
- (v) Kiwewe retired on 31st October 2002
- (vi) Wambugu and Langa both predeceased Tito
- (vii) The farm had been purchased by Tatu with proceeds of the sale of the outboard engine.

Required:

Prepare a schedule showing the distribution of the estate and give your reasons should you decide that the executors should not assent to any of the legacies

(20 marks)

QUESTION TWO

- a) Explain the powers of investments of a trustee. (4 Marks)
- b) The Trust deed relevant to Mr.Kamwangi trust restricted the trustee to invest in authorized securities but permitted them to retain a piece of land until the tenant died, when it was to be sold and proceeds invested.

At March 31 2004, the summarized balance sheet of the trust was as under:

Investments

KShs '000'

Shs.10,000 8% Kenya Government stock (market value 9,700,000)

10,000

7% Postbank savings stock (market value Shs10,100,000)

10,000

Freehold land

8,200

Balance at Bank

800

29,000

Represented by capital fund

29,000

On April 2004, the trustee decided to avail themselves of the powers and to reinvest half of the shares in wider range securities.

The transactions on capital account of the trustees upto the year ended 31st March 2005 were:

- (i) 1st April 2004, sold Shs10,000,000 8% Government stock for Shs9,700,000 and reinvested the whole amount in 4,000,000 shs1 ordinary shares of Firestone (EA) Ltd.
- (ii) 30th June 2004 received Shs20,000,000 on the sale of Freehold land.

BCOM 416

- (iii) 15th July 2004, paid Shs.8, 000,000 for 6,000,000 Shs.1 ordinary shares of Portland Cement Ltd.
- iv) Received interest for both government stock and saving stock

Required: A full set of trust accounts an balance sheet (16 Marks)

QUESTION THREE

- a) Legacy failure is caused by several circumstances, Highlight seven of such circumstances (7 Marks)
- b) You have been invited in a symposium to help the public understand inheritance as a source of wealth. In light of executorship, argue for and against inheritance (13 Marks)

QUESTION FOUR

- a) Describe the order of devolving deceased estate under intestate succession (6 Marks)
- b) Mr. John died intestate leaving his two wives Lucy and Esther whom he married under a system of law which permits polygamy. A third wife Rehema had predeceased him. Lucy has three children Peter, Ley and Richu, Rehema had two children Black and RED, and Esther has no children.

All the children are alive at the time of Mr. John death. The value of his personal and household effect was Shs315,000 and the value of the net intestate estate was Shs 4,138,000.

Required:

A clear statement to show how Mr. Kware's property would devolve. (14 Marks)
