



(Knowledge for Development)

KIBABII UNIVERSITY

UNIVERSITY EXAMINATIONS

2019/2020 ACADEMIC YEAR

FOURTH YEAR, SECOND SEMESTER EXAMINATIONS

MAIN EXAMINATION

FOR THE DEGREE IN BACHELOR OF COMMERCE

COURSE CODE: BCA 348E

COURSE TITLE: TRUST & EXECUTORSHIP ACCOUNTS

DATE: 11/12/2019

TIME: 11.00 AM

INSTRUCTIONS TO CANDIDATES

- Answer Question ONE and ANY another TWO
- Time allowed is Two (2) Hours
- Do not write anything on the question paper

SECTION A (COMPULSORY)

Q1.

(a)

Anyango, your best friend, was a gospel artist, died after a road accident that involved the motor –bike and a cargo van along Malaba Road. As her trusted friend and CPA you have been named the executor and guardian of her only child, Juliet. Anyango's Estate consisted of the following before the probate court ;

Description	Shs."000,000"
Cash	15000
Vacant Plot in Eldoret	130000
BAT (k) shares	54000
Investment in KCB shares	13000
Dividends declared on KCB shares	1000
Investment in GOK bonds	40000
Accrued interest on GOK bonds	2000
Royalties Receivable	17000
Medical and Funeral Expenses	22000

Notes;

- i. Medical and funeral expenses were paid immediately
- i. Cash dividends ,on KCB shares, of shs 1000 and on BAT shares of shs 2700 were finally received.
- iii. The vacant plot in Eldoret was sld for shs,. 150,000,000 and shs, 2,000,000 went commission expenses while shs, 8,000,000 for taxes.
- iv. Interest if 2400 on government bonds was received and royalties were collected
- v. The estate further claims of shs. 28,000,000 that were paid.
- vi. Alegancy of shs 15,000,000 is paid to Kibabii Children Home
- vii. Admin fee of shs.3, 200,000 are paid of which shs 100,000 I traceable to income Required'

- i. Journal entries
- ii. Estate income
- iii. Estate Balance sheet

(interest thereon paid to 30 June 2000)	400,000
Share in business of Kombo & Co. valued at death	1,226,000
Sundry debtors	20,000
His liability amounted to	5,000
Funeral expenses	10,000

The following additional information is available:

1. A legacy of Sh.20,000 was bequeathed to his executor and was paid on 28 January 2001.
2. The residue of the estate was left in trust for his infant son.
3. The household furniture was sold on 15 December 2000 for Sh.96,000.
4. The shares were sold on the same date at Sh.29 ex div: a dividend being received on 25 January 2001 at 10% for the year ending 31 December 2000.
5. Interest on investment in freehold property securities was received on 31 December 2000, on which date the shares in the business of Kombo & Co. was received with interest at 5% per annum.
6. The liabilities and funeral expenses were discharged on 20 December 2000 on which date Sh.10,000 of the debts due were received. The balance being unpaid at the date of preparation of the accounts.

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 income account (5 marks)
- (e) Balance sheet of Kombo: deceased as at 31 January 2001 (3 marks)

(Total: 20 marks)

Q3. Highlight objectives of the following

(10 Marks)

(b)

Hussein died on 31 October 2018 and was survived only by Juma his grandson. 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 Musa my beach plot - *Specific*
- To my friend Naomi my car - *General*
- ✓ To my nephew Penny my boat - *General Specific - died*
- ✓ To each of my brother-in-law Sh.40,000 - *Specific General*
- To each of my two sons Sh.200,000 - *General General*
- ✓ To my housekeeper Ali if still in my employment Sh.400,000 - *Specific General*
- ✓ To the pastor of my church Paul Sh.100,000 - *Specific General*
- To my local church Sh.100,000 to buy a piano in memory of my late mother - *Ademption*
- To my shamba boy, Juma if still in my employment Sh.40,000 - *Uncertainty of lapse General*
- To each of my neighbours Faith, Peter and Tom Sh.20,000; - *General*
- To the water games club, my outboard engine; and - *Ademption*
- To my grandson Kwetu, the residue absolutely. -

On 30 April 2019, the executors, having paid all the 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 the date was:

	Sh.
Car (van)	180,000
Car (saloon)	100,000
Boat	50,000
Furniture, jewellery etc	190,000
Farm	80,000
✓ Beach plot	24,000
Sh.3,000,000 6% Government stock	2,400,000

1 376 000

1 352 000

Balance at bank	<u>1,376,000</u>
	4,400,000

The following additional information is available:

1. Penny died on 30 March 2019. ✓
2. Kombo had two brothers in law surviving at 31 October 2018. ✓
3. Ali was still employed at 31 October 2018. ✓
4. During his lifetime, Kombo provided his church with a local piano in memory of his late mother
5. Juma retired on 31 October 2017.
6. Faith and Juma both predeceased Kombo.
7. The farm had been purchased by Kombo with proceeds of the sale of the outboard engine.

Required:

A schedule showing the distribution of the estate. Give your reasons should you decide that the executors should assent to any legacies (ignore taxation)

[20 marks]

SECTION B(CHOOSE ANY TWO QUESTIONS)

Q2.

Kombo died on 31 October 2000 and left his estate as follows:

	Sh
Household furniture	90,000
Cash in house	2,000
Cash at bank	250,000
10,000 ordinary shares of Sh.20 each in KFC Ltd. Valued at Sh.30 per share.	300,000
Investment at 5% on freehold property securities	

(a) Succession Act of the laws of Kenya [12 marks]

(b) Insolvency act of the laws of kenya [8 marks]

Q4.

a) Outline the succession process in Kenya as outlined in the succession Act of the laws of Kenya [5 marks]

b)

Mr Ruare dies intestate, leaving his two wives Luky and chity whom he married under a system of law which permits polygamy. A third wife Beaty had predeceased him.

Luky has three children Peter, Lowe and Ricci. Beaty had two children Short and Tall. Chity has no children. All the children are alive at the time of Mr. Ruare's death.

The value of his personal and household effects was Sh.350,000 and the value of the net intestate estate was Sh.3,150,000.

Luky
Chity
Peter
Lowe
Ricci
Short
Tall

Required:

A clear statement to show how Mr. Ruare's property would devolve. (15 marks)

[TOTAL = 20 marks]

Q5.

Onyango died ten years ago and by his will left the residue of his estate in trust for his children Abel and Beatrice in equal shares. The will directed that a child's share should be ascertained and discharged on reaching 21 years of age. The trustees were empowered to maintain the children out of income and to use their unfettered discretion in the choice of investments.

The following trial balance was extracted from the books as on 31st December 20X3:

- a. One-half of each of the investments held on capital account;
- b. Three fifths of each of the investments held on accumulation accounts, and
- c. Cash for the balance of the amount due to him.

You are required to write up the following accounts in the books of the Trust for the three months ended 31st March 20X4:

- i. Estate capital account:
- ii. Accumulation accounts (in columnar form),and
- iii. Distribution account - Laertes

[TOTAL = 20 marks]