



UNIVERSITY OF EMBU

2021/2022 ACADEMIC YEAR

FIRST SEMESTER EXAMINATIONS

THIRD YEAR EXAMINATION FOR THE DEGREE OF BACHELOR OF COMMERCE

BAC 307: TRUST AND EXECUTORSHIP ACCOUNTS

DATE: DECEMBER 3, 2021

TIME: 2:00 PM – 4:00 PM

INSTRUCTIONS:

Answer Question ONE and ANY Other TWO Questions.

QUESTION ONE (30 MARKS)

With reference to the provisions of the law of succession:

- a) Define a will; (2 marks)
- b) Give FOUR short explanations of failure of legacies. (8 marks)
- c) A trust will be valid only if the three certainties are present, explain the three certainties of a trust giving relevant examples (6 marks)
- d) Explain four different ways which can be used in appointment of a trustee according to the law of trust (4 marks)
- e) Explain five ways through which a trustee may cease to hold office according to executorship law of Kenya (10marks)



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Knowledge Transforms

Page 1 of 4



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QUESTION TWO (20 MARKS)

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

QUESTION THREE (20 MARKS)

Andrew, a widower, died on 28 February 20X4, and by his will executed ten years earlier made the following bequests:

- (a) 'To my brother George, my record collection.'
- (b) 'To my brother David, on his wedding day, Shs.50,000.'
- (c) 'To my dearest sister-in-law, my furniture and other personal chattels, not otherwise bequeathed.'
- (d) 'To my nephew Peter, a Mini Metro motor car.'
- (e) 'To my niece Sandra, Shs.200,000 payable out of my account with the Lukenya Building Society.'
- (f) 'To my nephew Timothy, Shs.100,000 in my deposit account at Trust Bank.'
- (g) 'To my cousin Patrick, my 1,000 ordinary shares in Kakuzi Ltd.'
- (h) 'To the All Saints Cathedral, Shs100,000 for the refurbishment of the choir stalls.'
- (i) 'To each of my sons Edward and Francis, Shs.1.5m.'
- (j) 'The residue of my estate on trust to provide an annual income for my daughters Barbara and Caroline, until they marry, and thereafter to my grandchildren in equal shares.'

You ascertain the following:

- i. George and Edward both predeceased Andrew. Each had two children living at the date of Andrew's death.
- ii. David is a confirmed bachelor. He declares that 'having failed to get me married while he was alive, Andrew will not bribe me into marriage now he is dead.'
- iii. Andrew had three sisters-in-law, all of whom he saw regularly prior to his death.
- iv. At the date of the will Andrew had owned a Datsun car, two years ago he replaced it with a Toyota; he has never owned a Mini Metro car.
- v. The Lukenya Building Society account had been closed on 30 September 20X3.
- vi. On 28 February 20X4 there was only Shs.72,000 in the deposit account at Trust Bank.



- vii. Kakuzi Ltd had converted each of its Shs.20 ordinary shares into 4 units of Shs.5 ordinary stock in October 20X2. Andrew owned exactly 4,000 units of Kakuzi Ltd ordinary stock at the date of his death.
- viii. The choir stalls at the All Saints Cathedral had been refurbished fully the previous autumn at which time Andrew had contributed Shs.120,000 to the Refurbishment Fund.
- ix. Both Andrew's daughters had married prior to his death and Andrew had a total of five grandchildren alive at 29 February 20X4, the eldest of whom was eight years of age.
- x. In addition to the assets specifically referred to above, Andrew's estate also included a freehold house together with cash and investments totalling Shs.7m, after payment of debts and funeral expenses.

Required:

In relation to each bequest in Andrew's will, state the type of legacy referred to and explain whether or not the executors should give their assent to the gift.

QUESTION FOUR (20 MARKS)

With reference to the powers of a trustee explain the following;

- a) Investment (4 marks)
- b) Delegation (4 marks)
- c) Advancement (4 marks)
- d) Maintenance (4 marks)
- e) Insurance (4 marks)

QUESTION FIVE (20 MARKS)

- a) Explain five characteristics of a valid will under the law of succession in Kenya (10 marks)
- b) A personal representative plays a key role according to the law of succession. Explain five duties of a personal representative as outlined in the law of succession of Kenya (10 marks)

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