



The Co-operative University College of Kenya
(A Constituent College of Jomo Kenyatta University of Agriculture & Technology)

END OF SEMESTER EXAMINATIONS APRIL - 2015

EXAMINATIONS FOR BACHELOR OF CO-OPERATIVE BUSINESS YEAR III
SEMESTER II

UNIT CODE: HBA 2306

UNIT TITLE: TRUST AND EXECUTORSHIP ACCOUNTING

DATE: **TIME:**

INSTRUCTIONS:

Answer question **ONE** (**compulsory**) and any other **TWO** questions

QUESTION ONE

- a) Define the term Executorships (2 Marks)
- b) Explain the following term as applied in executorships accounting:
 - i. Testate (2 Marks)
 - ii. Intestate (2 Marks)
- c) Mr. A dies intestate; he never married. His father and brother have pre-deceased (i.e. died before) him. A is survived by his brothers C and D, and sisters E and F; his brother B pre-deceased him, but left a wife K and children L and M. his net estate was worth Shs 3M. how will it be divided on his death? (4 Marks)
- d) Mr. A dies intestate; his wife Mrs. A died some years ago. Mr. A is survived by his sons B (22 Years old) and C (18 years only). His daughter is at school; she is not yet married. His net estate is worth Shs 3. How will his property be divided? (4 Marks)
- e) Mr. K dies intestate; his wife Mrs. K died two weeks before Mr. K. Mr. K's eldest son M, died some years ago; M's children P, Q and R are alive at the time of Mr. K's death. B, C and D, Mr. K's other children were all alive when Mr. K died. His net estate is worth Shs 3.6M how will it be divided? (4 marks)
- f) Mr. K dies intestate, his wife and eldest son J having predeceased him. Mr K is survived by A and B the son and daughter of his eldest son J and his own sons M and N. during Mr. K's life,-time, he (Mr. K) had made gifts of Shs 1M to N and Shs 500,000 to B. Mr. K left net estate worth Shs 5M how would it be divided? (4 Marks)
- g) Mr. O dies intestate, leaving two wives, A and C whom he married under a system of law which permits polygamy; a third wife B had predeceased him. A has children P, Q, R; B

has children S and T; C has no children. How would his estate be divided?

(2 Marks)

h) Explain the requirements of a valid will under the following circumstances:

i. Highlight the various types of interest given under a will (6 Marks)

ii. Explain how property of a deceased person may be protected

(4 Marks)

QUESTION TWO

a) Explain the powers of personal representatives (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 SHs 350,000 and the value of the net intestate was Shs 3,150,000

Required:

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

QUESTION THREE

a) Mali Mengi (aged 57) died in a road accident on 31st December 2012. On 1st May after his executors had paid all debts (except for the mortgage for his freehold house and debt to Mkopeshaji, testamentary and funeral expenses, his estate was ascertained as follows:

	Shs. '000'	
Cash in bank accounts		4,250
Freehold house		3,250
Toyota Corolla		360
Nissan Sunny		220
Television and Music system		105
Debt due from pungufu		40
Furniture and personal effects		302
10,000 ordinary shares in cement Ltd		1,200
4,500 ordinary shares in Soko Mjinga Ltd.		370
Shs 800,000 10% Kenya stock		165
Income received to date		
Interest	230	
Dividend from Soko Mjinga Limited	37	
	<hr/>	
	267	
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Less Mortgage interest paid 31st March 2000	120	147
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		<hr/> <hr/>
		10,409

Extracts from Mali Mengi's will left bequests as follows:

1. To each of my sons. Kikwajuni, Mnazini, Mwembeni Shs. 1 Million.
2. To my wife Darajani, I leave my furniture, household and personal effects and the residue of estate.
3. To my daughter Nanjale, my freehold house free of all duties. The house was subject to a mortgage of Shs 1. Million carrying interest at 24% per annum payable 31st March and September. Duty on the house amounts to Shs 130,000
4. To my friend Kisitu, one of the motor cars owned by me at the time of my death he may choose.
5. To my friend Mlungu Shs 100,000
6. To my sisters-in law Shs 300,000
7. To my cousin, Nipa, my painting of mausoleum by Kikuve
8. To my driver Ndeleva Shs 150,000
9. To my friend Shimba, my holding of Shs 800,000 110% Kenya stock, Mali Mengi owed Shimba Shs 100,000
10. To my sister Malindi Shs 300,000
11. To my personal assistant, Sijapata half of my holdings in Cement Ltd
12. To my niece Sinani, 4,000 ordinary shares from my holding of such shares in Cement Ltd.
13. To my nephew Shaibu Shs 200,000 payable out of my shares in Cement Ltd
14. To my friend Mlungu Shs 50,000
15. To my neighbor Jirani Shs 50,000
16. To my sister Dada Shs 100,000 to establish a business.

Mali Mengi executors ascertained the following beneficiaries were dead:

- Son Mnazini died in 2007 leaving a wife and two children
- Son Mwembeni died in 2008 leaving a wife
- Sister Malaindi died in 2006 leaving two daughters
- Driver, Ndeleva aged 60 died in the same accident as Mali Mengi. It was impossible to determine the order in which Mali Mengi and Ndeleva died.

The executors also advise you that:

- i) Kisitu chose the Toyota Corolla
- ii) Mali Mengi sold his painting of the mausoleum using the proceeds to purchase his holding in Soko Mjinga Ltd.
- iii) There is no such investment as 110% Kenya stock. The referees in the will to 110% are thought to be a typing error not previously noticed.
- iv) Jirani replied in writing that he did not want anything from Mali Mengi because Mali Mengi was a bad neighbor
- v) Mali Mengi paid the Shs 100,000 during his life to his sister Dada to establish a business

Required:

- a) A statement showing the distribution of Mali Mengi estate on 1st May 2013 (16 Marks)
- b) A list of legacies to which the executors should not assent, briefly give reasons for the decision (4 Marks)

QUESTION FOUR

Kombo died on 31st October 2013 and left his estate as follows:

	Shs
Household furniture	90,000
Cash in house	2,000
Cash at bank	250,000
10,000 ordinary shares of Shs 20 each in KFC Ltd. Valued at Shs. 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 Shs 20,000 was bequeathed to his executor and was paid on 28th January, 2001
2. The residue of the estate was let in trust for his infant son
3. The household furniture was sold on 15th December, 2000 for Shs 96,000
4. The shares were sold on the same date at Shs 29 ex div: a dividend being received on 25th January 2001 at 10% for the year ending 31st December, 2000
5. Interest on investment in freehold property securities was received on 31st 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 Shs 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 31st January 2001 (3 Marks)

QUESTION FIVE

- a)