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UNIVERSITY EXAMINATIONS

2022/2023 ACADEMIC YEAR

**THIRD YEAR FIRST SEMESTER
SPECIAL/SUPPLEMENTARY EXAMS**

FOR THE DEGREE OF BACHELOR OF COMMERCE

COURSE CODE: BCA 348E

COURSE TITLE: TRUST AND EXECUTORSHIP ACCOUNTING

DATE: 16TH AUGUST 2023

TIME: 2.00PM - 4.00PM

INSTRUCTIONS TO CANDIDATES

1. Answer Question One in Section A and Any other TWO (2) Questions in Section B
2. Question **one** carries **30** marks and each of the other two questions carry **20** marks each.

TIME: 2 Hours

QUESTION ONE

- a) Demonstrate how the net asset of an intestate leaving no children and spouse is estimated(6marks)
- b) Explain characteristics of a will(6marks)
- c) Briefly explain the various types of testamentary disposition(6marks)
- d) What are the essentials of a trust(6marks)
- e) State the persons who can be appointed as trustee corporation(4marks)
- f) Highlight breach of trust (2marks)

QUESTION TWO

- a) Explain the powers of a trustee (10marks)
- b) Asses grounds that can make a will declared invalid by a court of law (10marks)

QUESTION THREE

Moses died 1st January 2015. His will left his shop building and a house to his wife. On her death, the residue of the net assets to his children. He gave no other direction as to the investment of the trust funds

On January 2015 his shop building and house were valued at sh1300000. He held 10000 shares in centum Ltd valued at sh 42-48 and 500000 nominal 12% Kenya Government Stock valued his debts and funeral expenses amounted to sh 30000

On 1st July 2015 centum Ltd shares were quoted at sh 48-50 and the 12% Kenya Government Stock was quoted at sh 88-92

Required:

Show the Estate Capital Account and Balance sheet on 1st July 2015 (20marks)

QUESTION FOUR

Mzee Bony died intestate on 1st April 2015. He was survived by a widow and two infant children, Joel and Ken

His estate at the time of death consisted of the following;

Sh 280,000 9% government stock	sh	231,000
Sh 240,000 2.5% savings bond		200,200
Life insurance policy with Madison insurance		300,000
Building society deposit at 8%		45,000
Accrued interest on the Building society deposit		900
Bank balance		47,350
Household furniture and effects		30,000
Debts and funeral expenses		<u>(6500)</u>
		847,950

Additional information;

1. Interest is receivable as follows;

- Government stock; 1st Feb and 1st Aug
 Savings bond; 1st May and 1st November
 Building society deposit; 1st Jan and 1st July
2. Interest on the government stock was received on the due dates.
 3. In addition to the above, the following transactions took place during the year ended 31st March 2015;

31st May; expenses of sh111, 630 were paid in respect of the estate.

5 June; sum assured by the life policy was received.

30 June; Building society deposit was paid to the personal representative, together with interest due.

12 July; Sh 180,000 of the government stock was sold ex-interest, receiving sh 147, 600

10 Aug; the debts and funeral expenses were paid.

30 Sept; the bank debited the account of the personal representative with interest amounting to sh 670. It is chargeable to income.

2 Oct; The effect were given to the widow.

31st Jan; Administration expenses of sh 4000 were paid.

Required;

i) Cash book

ii) Estate capital account for the year ended 31st march 2015.

iii) Balance sheet as on that date **(Total 20Mrks)**

QUESTION FIVE(a)

Mason died testate in 2015. After discharging all debts, funeral expenses and testamentary expenses, his estate comprised of the following;

Bank balance	sh.1107, 890
Household furniture	70,000
Motor vehicle	52,500
Family house	700,000
Building society deposit	572,110
Painting	350,000
12.5% Kenya mortgage bond	525,000
Plot in Webuye	<u>315,000</u>
	<u>3692,500</u>

The will provided for the following legacies;

- i. To his wife Leila sh 1750,000 and his personal belongings
- ii. To his sister Tina sh 350,000
- iii. To his son Broody the plot in Webuye and sh 175,000
- iv. To his daughter Naomi sh 525,000 payable out of his holdings in Centum ltd
- v. To his friend Jasho his ordinary shares in Wevarsity Sacco
- vi. To his brother Greg sh 525,000
- vii. To the local church 12.5% Kenyan mortgage bond.

All beneficiaries are of full age.

Just before he died, Mason sold his interest in Wevarcity Sacco for sh 500,000 and all the amount due to him had been discharged.

Tina and Broody had been killed in a road accident seven months before Mason died. Tina is survived by her daughter Erica whom she bequeathed her estate while Broody is survived by his widow Anne and son Scott. Broody's will left the whole of his estate to his widow Anne.

Required; Distribution Statement showing the final distribution of the estate. (15Mrks)

QUESTION FIVE(b)

Highlight duties of Personal representatives (5Mrks)

(Total 20Mrks)