

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

SECOND YEAR EXAMINATION FOR THE AWARD OF MASTR
OF BUSINESS ADMINISTRATION

MBAD 827: TRUST AND EXECUTORSHIP ACCOUNTING

STREAMS: MBAD (Y2S1)

TIME: 3 HOURS

DAY/DATE: TUESDAY 06/04/2021

2.30 P.M. – 4.30 P.M.

INSTRUCTIONS: Answer question ONE and any other THREE questions

QUESTION ONE

- (a) Explain and elaborate the features of a valid written will [8 marks]
(b) Explain four powers of investments of a trustee [12 marks]

Mary dies on 31st October 2017 and left this state as follows:

	Shs.
Household furniture	105000
Cash in house	51000
Cash at Bank	352000
10000 ordinary shares of sh. 20 each in KFC ltd values at shs. 30 per share	350000
Investments at 5% on free hold property securities (interest thereon – paid to 30 June 2017)	510000
Share in business of Mali & Co valued at death	1300500
Sundry debtors	27000
His liabilities amounted to	5000
Funeral expenses	29000

The following addition information is available

- (a) A legacy of shs.10000 was bequeathed to this executor and was paid on 28 January 2018
(b) There residue of the estate was left in trust for his infant son
(c) The household furniture was sold on 15 December 2012 for shs.99000

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- (d) The shares were sold on the same date at shs29 ex div, a dividend being received on 25 January 2018 at 10% for the year ending 31 December 2017
- (e) Interest on investment in freehold property securities was received on 31 December 2013, on which date the shares in the business of Mali & Co was received within interest rate 5 percent annum.
- (f) The liabilities and funnel expenses were discharged on 20 December 2017 on which date shs. 15000 of the debts due were received, the balance being unpaid at the date of preparation of the accounts.

Required:

- (i) The estate cash book [6 marks]
- (ii) The estate income account [4 marks]
- (iii) The estate capital account [6 marks]
- (iv) Statement of financial position of Mali and deceased as at 31 January 2018 [4 marks]

QUESTION TWO

- (a) Explain the various failures of legacies that may be bequeathed by a way of a will [8 marks]
- (b) Zeze had three wives but one had predeceased him. Loise has three children Pence, Patience and Sally. Beatrice (deceased) had two children Blake and Wanja. Christine had no children. All the children are alive at the time to Mr. Zezes death. The value of his personal and household effects was shs. 570,000 and the value of the net interstate estate was shs .8, 000,000

Required:

- A clear statement to show how Mr. Zeze property would be distributed [8 marks]
- (c) Distinguish between implied and express trusts [4 marks]

QUESTION THREE

- (a) Mulekyo died recently and her will contained the following clauses:
 - (i) Kshs.300,000 to her trustees upon trust to invest and apply the income in assisting any persons who wish to retreat from life and spend their time in religious contemplation
 - (ii) Kshs. 500,000 to be held on trust for the education of the children of poor employees of the farming industry
 - (iii) Kshs. 500,000 on trust to build and maintain a bird sanctuary on the outskirts of town; advise the trustees as to whether these clauses create valid charitable trusts [5 marks]
- (b) Oloo died on March 31, 1990. In his will he provided the following:
 - (i) His brother Otieno had to receive an annuity of shs.300,000/= for the rest of his life
 - (ii) His sister Atieno had to enjoy the use of the freehold house and its property and receive income from property. Both privileges were to be enjoyed for life.

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- (iii) The balance of Oloo property was bequeathed to his niece Rehema who was manager of the trust.

Oloo died on December 31, 1995. On that date, the estate of Oloo comprised the following assets and liabilities as valued for probate:

	Shs.	Shs.
Freehold house		10,000,000
Contents of house		2,000,000
Bank balance		1,000,000
Shs. 20,000,000 6% AGIP stock (interest due March 31) & September 30)		18,000,000
		31,000,000
Less: Balance of income due to Atieno including shs. 150,000 accrued net interest on AGIP stock	290,000	
Annuity accrued due to Otieno (net)	60,000	
Contractor for house repair	50,000	400,000
		30,600,000

The transactions of the trustees of Oloo were:

1996

- February 28, Payments of capital transfer tax of shs.7,448,000 and interest of shs. 15,000
March 31, Receive interest, on AGIP stock
April 1, Paid contractor shs. 50,000
Appropriated shs. 8,000,000 AGIP stock for payment of future up annuity and realized balance of shs.12,000,000 stock for shs. 10,500,000
July 1 Paid professional expenses of administration shs.227,000

Required:

Complete set of trust accounts [15 marks]

QUESTION FOUR

- (a) Evaluate the challenges of development of trust and executorship practice in Kenya [13 marks]
- (b) Explain features of legacies of a will [7 marks]

QUESTION FIVE

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Peter died testate on the 31st January, 2014. He was domiciled at Buruburu Estate in Nairobi. He had eleven children and two grandchildren. Her estate constituted a large farm in Mtito Andei; ten land Rovers, a five acre parcel of land at Voi, four flats in umoja in Nairobi, a posho mill, a five bedroom bungalow in Karen estate in Nairobi, five heads of dairy cattle, a sum of ksh 5,000,000 (five million) only in the KCB account at city branch. He also owned a three bedroom house in Naivasha. He owed equity bank a sum of ksh 350,000 (three hundred fifty thousand) only. He had borrowed ksh 1,300,000 (one million three hundred) only from Kengen company. He owned a Mercedes Benz worth 800,000/= (eight hundred) only and owed Billy Trump ksh. 60,000 (six hundred thousand) only.

Prior to his death he had named Tom the executor of her will, and had provided for his dependants vide the will, by which he bequeathed the five acres at voi to her eldest daughter and one of the paragraphs therein referring to the wife read as follows:

“It is my desire you allow the local church Kshs.500,000”

The will was opened on the 1st February, 2015 in the presence of witnesses. Thereafter the executor of the will was asked to take stock of the properties and document them in the schedule of assets and the schedule of liabilities. He did so within two days.

Required:

- (i) Show how Peldent Kenyen’s schedule of assets and schedule of liabilities were drawn
[15 marks]
 - (ii) Discuss the distribution of property if wife died on 31st February, 2015 [5 marks]
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