

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

EXAMINATION FOR THE AWARD OF MASTER OF BUSINESS ADMINISTRATION

MBAD 827: TRUST AND EXECUTORSHIP ACCOUNTING

STREAMS: PART TIME

TIME: 3 HOURS

DAY/DATE: THURSDAY 7 /10/ 2021

8.30 AM – 11.30 AM

INSTRUCTIONS:

- Answer Question One (COMPULSORY) and any other Two Questions

QUESTION ONE

- a) Clearly explain the executorship process [10 Marks]
- b) Museng'ya died on 1 February 2018 leaving the following estate

	Kshs. '000'
Building society deposit	5,042
Interest accrued to date	39
Balance at bank	4,965
Personal chattels	3,600
Freehold house	24,000
Kshs.60,000 10% Government Stock	42,000
7,000 ordinary shares of Kshs. 1 each in Walters Ltd	10,000
3,000 ordinary shares of Kshs.1 each in Charles Ltd	3,000
Debts and funeral expenses amounted to	Kshs. 1,046

His will included the following legacies:

- i. To his wife, Kalee the freehold house, personal chattels, the ordinary shares in both Walters Ltd and Charles Ltd and the sum of Kshs.150,000.
- ii. To his daughter Kalekye, his country cottage and the sum of Kshs.211, 600;

- iii. To his sons Mutua, Mulei and Nzioiki the sum of Kshs.120,000 each;
- iv. To his sister Nancy the sum of kshs.100,000;
- v. To his friend Musembi, the sum of Kshs.20,400;
- vi. To his brother Munyao his holding of Kshs.5,000 Savings Bonds

His will also directed that residue and any income arising during the administration of the estate should go to his wife Kalee.

You ascertain that the country cottage was sold for Kshs.15,000 in 2016 and the Savings Bonds encashed in 2017. His sister Nancy had died in 2015 and his son Mutua died in 2014, leaving two sons Mulei and Nzioki. All beneficiaries are of full age.

The following transactions took place during the three month period ended 30 April 2018:

- | | |
|-------------|---|
| 28 February | Received dividend of Kshs 0.3 per share for the year ended 31 March 2017 on shares in Walters Ltd. |
| 31 March | Received proceeds of sale of Government Stock Kshs.41,000,000 Paid Kshs.20,250 Estate Duty, being the whole amount arising on death. |
| 30 April | Withdrew balance of Kshs.5,157,000 from building society account including interest to date.
Paid debts and funeral expenses. Distributed all legacies and completed the administration of the estate. |

You are required to prepare the estate accounts showing the administration of the Estate.

[25 Marks]

- c) Using an illustration explain five failures of gifts/legacies

[5 Marks]

QUESTION TWO

- a) Describe six legacies that can be bequeathed in a will [12 Marks]
- b) Mr. Oleche dies intestate, leaving his two wives Anyango and Aloo whom he married under a system of law which permits polygamy. A third wife Wangui had predeceased him. Anyango has three children Olum, Otiende and Randa. Wangui had two children kamau and Opondo. Aloo has no children.

All the children are alive at the time of Mr. oleche death. The value of his personal and household effects was Sh.315,000 and the value of the net intestate estate was Sh.3,850,000

Required:

A clear statement to show how Mr. Oleche property would devolve.

[8 Marks]

QUESTION THREE

- a) Describe the powers of an administrator / executor, laws of Kenya. [5 Marks]
- b) A,B C and D are beneficiaries under a trust and share the income in the proportions of 3:4:2:1 respectively. All beneficiaries are minors. From the following trial balance, extracted from the books of the trust as on 3rd October 2013 you are required to prepare a statement showing the Beneficiaries Accumulations' Accounts for the year and a Balance Sheet as on 3rd October, 2013.

TRUST TRIAL BALANCE

	SHS. "000"	SHS. "000)
Trust Capital Account		31,754
Beneficiaries Maintenance Account	A 196	
	B 217	
	C 154	
	D 146	
Trust income Account		2,500
Accumulations Income Account		200
Trust Capital Investments (at cost)	31,754	
Accumulations a/c investments (at cost)	3,520	
Beneficiaries' accumulations Accounts:		
At beginning of Year-	A	352
	B	528
	C	704
	D	1,936
	<u>1,987</u>	
	<u>37,974</u>	<u>37,974</u>

[15 Marks]

QUESTION FOUR

- a) Differentiate between secret and implied trusts [4 Marks]
- b) Mutisya died on March 2, 2010. In his will he provided the following:-
- i) His brother Mutio had to receive shs.300,000/= every year
 - ii) His sister Kalendi 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.
 - iii) The balance of Mutisya property was bequeathed to his niece Abygail who was manager of the trust.

On that date, the estate of Mutisya 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		<u>18,000,000</u>
		31,000,000

The following were his liabilities;

Repairs of contractor	70,000
Administration fee	1,000,000

The transactions of the trustees of Mutisya were:-

2011

February 28, Payment of capital transfer tax of shs.500,000 and interest of shs.50,000.

March 31, Received interest, on AGIP Stock.

April 1, Paid professional expenses of administration shs. 227,000.

April Paid contract sh.50,000

REQUIRED:

Complete set of trust accounts [16 Marks]

QUESTION FIVE:

a) Highlight Any five necessary amendments in the succession Act and Trustee Act. [10 Marks]

b) What are the challenges of development of executorship practice in Kenya. [10 Marks]

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