



JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY
SCHOOL OF BUSINESS & ECONOMICS
UNIVERSITY EXAMINATION FOR THE BACHELOR OF BUSINESS
ADMINISTRATION WITH IT (ACCOUNTING OPTION)
3RD YEAR 2ND SEMESTER 2023/2024 ACADEMIC YEAR
MAIN CAMPUS REGULAR

COURSE CODE: BAB 1302

COURSE TITLE: TRUST AND EXECUTORSHIP ACCOUNTS

EXAM VENUE: LAB II

STREAM: (BBA)

DATE: 30/04/2024

EXAM SESSION: 9.00 – 11.00 AM

DURATION: 2 HOURS

INSTRUCTIONS

- a) Answer QUESTION ONE and any other TWO questions
- b) Show ALL your workings and be as NEAT as possible.
- c) Candidates are advised not to write on the question paper
- d) Marks allocated to each question are shown at the end of the question.

QUESTION ONE

- a) Distinguish between testate and intestate succession. (4 marks)
- b) Discuss Four Characteristics of a will. (8 marks)
- c) Distinguish between a “devise” and a “bequest” as relates succession (4 marks)
- d) Explain two exceptions to the rule of lapse in relation to testate succession (2 marks)
- e) Distinguish between Public trusts and Private trusts as relates to Law of trust. (4 marks)
- f) Discuss two ways in which a trustee may be terminated. (2 marks)
- g) Given the information below relates to the estate of the deceased Investment with **ex. div.** quotation

Date of Death: 30th June, 2020
Stock: 3% Kenya Stock
Interest paid: 31st January and 31st July
Holding: Shs 6m quoted at 86—88 ex.div.

Required: An investment account showing the various apportionments. (6 marks)

QUESTION TWO

- a) After discharging all the debts, funeral expenses and testamentary expenses, the estate of Mr. Kamau deceased comprised the following.

	sh "000"
Bank balance	316,540
Household furniture	20,000
Motor car	15,000
House	200,000
Building society deposit	163,460
Paintings	100,000
12.5% Kenya mortgage bond	150,000
Plot at Naivasha	90,000
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	1,055,000
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His will provides for the following legacies;

1. To his widow Jane shs 500,000,000 and his personal effects.
2. To his sister Nundu sh. 100,000,000
3. To his son Kimani the plot in Naivasha and sh.50,000,000
4. To his daughter Wambui sh. 150,000,000 payable out of his loan account with East African Building Society.
5. To his friend Mwaura, his ordinary shares in Kuruka Sacco.
6. To his brother Muchiri sh. 150,000,000

7. To the local Golf club, 12.5% Kenyan mortgage bond.
8. It was also ascertained that all beneficiaries are of full age.
9. Just before he died, Mr. Kamau had sold his interest in Kuruka Sacco for sh. 500,000,000 and all the amount due to him had been discharged.
10. Nundu and Kimani had been killed in a road accident ten months before Kamau died. Nundu is survived by her son Ngozi, while Kimani is survived by his widow Margret and daughter Njeri.
11. Kimani's will left the whole of his estate to his widow Margret.

Required:

- i. Prepare a distribution statement showing the final distribution of the estate. (8marks)
 - ii. A list of legacies to which the executors should not assent, briefly explaining the reason why the legacy is invalidated. (4 marks)
- b) Mr. Odok dies intestate, leaving two wives, Alice and Carol whom he married under a system of law which permits polygamy; a third wife Bunde had predeceased him. Alice has children Paul, Queenter and Rachel; Bunde had children Skitter and Terry; Carol has no child. All the children are alive at the time of Mr. Odok's death. The value of his personal and household effects was Shs.900,000 and the value of the net residue of the estate was Shs.3,800,000. How should his estate be divided? (8 marks)

QUESTION THREE

When Mutesa died on 1 May 2021; his estate for probate purposes was as follows:

	Kshs.
4,000 ordinary shares of sh. 25 each in Weasel Profit and Loss Account - quoted 73sh-77sh	2,960
7,000 ordinary shares of Kshs.1 each in Mouze Profit and Loss Account - quoted 342sh-346sh	24,010
4,000 ordinary shares of sh. 50 each in Frog Ltd. - valued at	4,600
1,000 ordinary shares of Kshs.1 each in Rat Ltd. - valued at	8,000
Middling Building Society - ordinary share account	25,000
- interest accrued to date	654
Balance at bank	32,000
Personal chattels	2,000
Office building owned jointly with Beakie, who takes as survivor - valued at	40,000
Debts and funeral expenses	490

Modigliani's will provides:

1. That the following legacies be paid immediately:
 - i. 'To my wife Gloria the sum of Kshs.30,000 together with my personal chattels;
 - ii. To Beakie my holding of shares in Rat Ltd;
 - iii. To Greta my country cottage;
 - iv. To my friend Harold the sum of Kshs.10,000;
 - v. To my sister Edna the sum of Kshs.15,000.
2. That the executors have full discretionary powers investment, and after paying all debts duties and legacies, the balance is to be held in trust for the benefit of my children absolutely in equal shares until they attain the age of eighteen years.'

You also obtain the following information:

- i. Edna died on 1 April 2021.
- ii. The country cottage was sold in 2017 for Kshs.20,000.
- iii. Mutesa is survived by his wife Gloria and two sons, David and Donald, who are aged 16 and 14 years respectively.

iv. Modigliani had not made any chargeable transfers during his lifetime.

2022

January 31	Received dividend of sh. 15 per share on holding in Owl Profit and Loss Account for year to 30 November 2021. Received interim dividend of sh. 16 per share on holding in Mouse Profit and Loss Account for year to 31 January 2022.
February 28	Received final dividend of sh. 6 per share on holding in Weasel Profit and Loss Account for the year to 31 December 2021.
April 30	Paid administration expenses Kshs.1,700 (capital Kshs.1,500; income Kshs.200).

You are required to prepare for the year ended 30 April 2019:

- (a) Estate Capital Account; (7 Marks)
- (b) Estate Income Account; (2 Marks)
- (c) Estate Cash Account; and (8 Marks)
- (d) Balance Sheet as on that date. (3 Marks)

QUESTION FOUR

- a) Write short notes on the the categories of investment as per the Law of Trust. (6 marks)
- b) “**Donatio Mortis Causa,**” Gifts in anticipation of death shall be valid, in spite of the fact that there has been no complete transfer of the legal title, subject to some conditions. Discuss four such conditions. (4 marks)
- c) Discuss four causes of failure of legacies and gifts of residue. (8 marks)

QUESTION FIVE

Kinyonga, a widower, died on 28 February 2022, 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 Kinyonga. Each had two children living at the date of Kinyonga's death.
- ii. David is a confirmed bachelor. He declares that `having failed to get me married while he was alive, Kinyonga will not bribe me into marriage now he is dead.'
- iii. Kinyonga had three sisters-in-law, all of whom he saw regularly prior to his death.
- iv. At the date of the will Kinyonga 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 2019.
- vi. On 28 February 2022 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 2020. Kinyonga 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 Kinyonga had contributed Shs.120,000 to the Refurbishment Fund.
- ix. Both Kinyonga's daughters had married prior to his death and Kinyonga had a total of five grandchildren alive at 29 February 2022, the eldest of whom was eight years of age.
- x. In addition to the assets specifically referred to above, Kinyonga'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 Kinyonga's will, state the type of legacy referred to, justifying your answer and explain whether or not the executors should give their assent to the gift justifying your explanations in relation to the information given. **(Total: 20 Marks)**