



MURANGA UNIVERSITY COLLEGE
(A Constituent college of JKUAT)
MAIN CAMPUS
ORDINARY UNIVERSITY EXAMINATION
2014/2015 ACADEMIC YEAR
THIRD YEAR SECOND SEMESTER EXAMINATIONS
FOR THE DEGREE OF
BACHELOR OF COMMERCE

COURSE CODE: HBA 2306

COURSE TITLE: EXECUTORSHIP ACCOUNTING

DATE: 27th APRIL, 2015

TIME: 2:00-4:00p.m

INSTRUCTIONS

Question one is compulsory

Answer any other two questions

Question one

- a) Identify and explain any four types of legacy (8marks)
- b) Onyango died intestate leaving two wives Shelly and Ivyln. Haliet his second wife had predeceased him leaving two children Delta and Felich. Shelly has three surviving children Patra and Anet. Ivyln has no children

Onyango's estate consists of :

1. Personal effects	sh620,000
2. Household effects	sh1,200,000
3. Motor vehicle	sh800,000
4. Bank balance	sh5,000,000

Show how the estate will be distributed (12marks)

- c) Discuss five duties of a trustee as per the trustees act (10marks)

Question two

Joshua Ukuta died in a road accident on 31 December 2013. On 1 May 2014 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:

		Sh. '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
Income received to date	230	
Interest	<u>37</u>	
Dividend from Soko Mjinga Limited	<u>267</u>	
Less: Mortgage interest paid 31 March 2013	<u>120</u>	<u>147</u>
		<u>10,409</u>

Extracts from Joshua Ukuta's will left bequests as follows:

- 1. To each of my sons. Kikwajuni Mnazini and Mwembeni Sh.1 million.

2. To my wife Darajani, I leave my furniture, household and personal effects and the residue of my estate.
3. To my daughter Nanjale, my freehold house free of all duties. The house was subject to a mortgage of sh. 1 million carrying interest at 24% per annum payable 31 March and 30 September. Duty on the house amounts to Sh. 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, sh. 100,000.
6. To my sisters in law sh. 300,000.
7. To my cousins, Nipa my painting of Mausoleum by Kikuvu.
8. To my driver Ndeleva sh.150,000.
9. To my sister Malindi sh.300,00.

The executors ascertained the following beneficiaries were dead:

- Son Mnazini died in 2011 leaving a wife and two children
- Son Mwembeni died in 2012 leaving a wife
- Sister Malindi died in 2010 leaving two daughters
- Driver, Ndeleva died in the same accident as Joshua Ukuta

The executors also advise you that:

- i. Kisitu chose the Toyota corolla
- ii. Joshua Ukuta sold his painting of the mausoleum using the proceeds to purchase his holding in Soko Mjinga Ltd.

Required: prepare a distribution statement

(20marks)

Question Three

The trust deed of kipara restricted the trust to invest in authorized securities but permitted them to retain a piece of land until the tenant died when it was to be sold and proceeds invested

The summarized balance sheet of the trust as at 31 December 2013 was as follows:

2, 000,000 ordinary shares in B.A.T ltd	2,000,000
Sh 5,000,000 10% savings stock	4,500,000
Cash at bank	500,000
Freehold land	<u>1,200,000</u>
	<u>8,200,000</u>
Liabilities	400,000
Capital fund	<u>7,800,000</u>
	<u>8,200,000</u>

On January 1 2014, the trustees decided to avail themselves of the powers and to reinvest half of the shares in wider range securities

Required

- a) Trust capital account (6marks)
- b) Trust balance sheet (6marks)
- c) Discuss any four ways which can lead to a termination of a trust. (8 marks)

Question Four

- a) Write explanatory notes on the following terms as used in the law of succession
 - i) Public trust (2marks)
 - ii) Private trust (2marks)
 - iii) Certainty of words (2marks)
 - iv) Partial testacy (2marks)
- b) Explain any four reasons that will lead to failure of testamentary disposition (12marks)