



MURANGA UNIVERSITY COLLEGE

(A Constituent college of JKUAT)

MAIN CAMPUS

SUPPLEMENTARY/SPECIAL UNIVERSITY EXAMINATION

2015/2016 ACADEMIC YEAR

THIRD YEAR SECOND SEMESTER EXAMINATIONS

FOR THE DEGREE OF

BACHELOR OF COMMERCE

COURSE CODE: HBA 2306

COURSE TITLE: TRUST&EXECUTORSHIP ACCOUNTING

DATE 28TH JUNE, 2016

TIME: 2 hours

INSTRUCTIONS

Question one is compulsory

Answer any other two questions

QUESTION ONE

a) Mr. Vincent died on 15th December 2013. His will provided the following legacies

- i) To my wife Janet sh 625,000 and personal belongings
- ii) To my son Raymond the plot at Juja farm and sh 100,000
- iii) To my daughter Dorothy ordinary shares in Tuungane SACCO
- iv) To my brother Jones sh 125,000
- v) To my neighbor Korir sh 50,000
- vi) To my friend Justus sh 40,000 shares in equity bank
- vii) To my sister Anbell sh 85,000
- viii) To my grandson Norbert the residue

His estate comprised	sh
Bank balance	395,000
Personal belongings	150,000
Motor car	454,250
Plot at Juja farm	112,500
Tuungane SACCO shares	150,000

Just before he died Vincent sold all his shares in equity bank. His neighbor Korir replied in writing and said he declined to inherit Vincent since they were not related. Jones died six months before Vincent but was survived by his wife Mary

Required

Prepare a distribution statement and explain if there are any variances (12 marks)

- b) Explain any five duties of a personal representative (10 marks)
- c) Discuss any four ways which can lead to a termination of a trust (8 marks)

QUESTION TWO

Zebedee died intestate on January 2012, survived by his widow and two infant children James and John. His estate at death consisted of:

Sh 280,000 9% govt stock	280,000	
Interest on 2% savings bond		200,000
Policy on his		300,000
Building society deposits at 8%		45,000
Accrued interest there on		900
Balance at bank		47,350
Household furniture and effects		<u>30,000</u>
		850,000
Debts and funeral expenses		<u>6,500</u>
		<u>856,500</u>

In addition the following transactions took place during the year ended 31 December 2012

February 28 expenses of sh 111,630 were paid in respect of estate

March 6 the sum assured by life policy was received

March 31 the building society deposit was repaid to personal representative.

April 13 sh 180,000, 9% government stock was sold

June 12 the debts and funeral expenses were paid

July 31 bank debited the personal representative account with interest amounting sh 670

August 4 The household furniture and effects were given to widow

September 5 administration expenses of sh 4,000 were paid

Required:

Write up the cash book and capital account for the year ended 31 December 2012 (20 marks)

QUESTION THREE

Describe the procedure to be followed in the distribution of estates in case a person dies testate

(20marks)

QUESTION FOUR

Abdulla died 5 years ago and by his will left the residue of his estate in trust for his children Abdi and Hassan. The will directed that a child's share be ascertained and discharged on reaching the age of 18 years. The trustees were empowered to maintain the children out of income and to use their discretion in the choice of investment.

The following trial balance was extracted from the books as at 31 December 2010

PARTICULARS	DR	CR
Investment on capital accounts	(sh000)	(sh000)
200,000 shares of sh 200 each in BAT ltd	22,000	
200,000 shares of sh 200 each in KBL ltd	28,000	
Investment in accumulation accounts		
10,000 shares of sh 100 each in BAT ltd	1,100	
10,000 shares of sh 100 each in KBL ltd	900	
Balance at bank		
Estate capital account	2000	
Accumulation account	500	
Estate capital account		52,000
Accumulation account		
Abdi		1,500
Hassan		1,00
	54,500	54,500

Abdi attained the age of 18 years On 31st march 2011 on which date market price for shares were:

BAT sh125

KBL sh100

Transactions in three months ended 31 march 2011 were as follows

January 1 receipt of dividend of sh 5 each on shares in BAT ltd

January 31 maintenance payments: Abdish 300,00,Hassansh 200,0000n 31 Marches the trustee revalued all the investments and discharged their liability to Abdi

by a transfer to him of:

- Half of each of the investment's held on capital account.
- Three-fifths of the investments held on accumulation accounts
- Cash for the balance of amount due to him

Required:

- Estate capital account
- Accumulation account

(5marks)

(15marks)