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KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2024/2025 ACADEMIC YEAR
FOURTH YEAR, SECOND SEMESTER EXAMINATION
FOR THE DEGREE OF BACHELOR OF SCIENCE
(BUSINESS ADMINISTRATION)

Date: 16th April, 2024
Time: 11.30am – 1.30pm

KAC 404 - TRUST AND EXECUTORSHIP

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

Munyua rolled with his car and died instantaneously at the age of 60 years, after learning that he had won sh.10M and Pick up valued shs. 5M in the just concluded the Safaricom's Bonyeza ushinde promotion. On the 31 March 2013, after his executor had paid all his debts (except for the mortgage on his house and debt to HCCK), testamentary and funeral expenses, his estate was ascertained as follows:

	Sh. 000	Sh. 000
Cash in hand		150
Bank balances		4,300
Toyota fielder		300
Nissan Tiana		360
Free hold hose		3,250
Television and home theatre		110
Debts due from Moraa		35
Personal and household goods		220
400 ordinary shares in Sungura Mjanja ltd		370
1000 ordinary shares in Kuku ltd		1,200
Sh. 80,000 12% Uganda stock		165
Interest	230	
Dividend from Sungura Mjaja Ltd	37	
Mortgage interest paid	(120)	147
		<u>10,507</u>

Extracts from Munyua's will left bequests as follows:

- i) To each of my sons, Papi Jnr, Karubandika and Ochieng' Danger, sh.1m
- ii) To my wife, Supuu, my furniture, household and personal effects
- iii) To my daughter Precious, my freehold house free from all duties. The house was subject to a mortgage of sh. 1M, earning interest at 24% p.a payable on 31st March and 31st July. Duty on the house amounts to sh.130,000
- iv) To my friend Ogopa, one of the motor cars owned by me as he may choose
- v) To my friend Oloo, sh.100,000
- vi) To some of my sistes in law, sh.300,000 each
- vii) To my cousin Naliaka, my paintings of Shakira
- viii) To my driver Kamata, sh.150,000
- ix) To my friend Simba, my holdings of Sh. 80,000, 110% of Uganda Stock. Munya owed Simba sh.100,000
- x) To my sister Apple Wonder, Shs. 300,000
- xi) To my personal assistant, Disaster Jnr half of my holding of such shares in Kuku Ltd
- xii) To my niece Banjuka, 4000 ordinary shares in Kuku Ltd
- xiii) To my nephew kamangu, sh.250,000 payable from my share in Kuku Ltd
- xiv) To my friend Shupavu, sh.25,000
- xv) To my neighbor makelele sh.250,000
- xvi) To my sister Momo, sh.100,000 to establish a cyber-business
- xvii) To my friend Monaliza, sh.300,000 provided that she remains single for ever
Munya executor ascertained that the following beneficiaries had passed on;
 - Son Karubandika died on 2014 leaving a wife and two children
 - Son Ochieng Danger died in 2013 leaving a wife and a daughter Atoti
 - Sister Apple Wonder died in 2009 leaving two daughters, Makena and Fridah
 - Driver Kamata, aged 59 died in the same accident with Munyua. It was impossible to determine the order in which Munya and Kamata died.

The executor also advises you that:

- i) Ogopa chose the Toyota Fielder
- ii) Munyua sold his paintings of Shakira, using the proceeds to purchase his holdings in Sungura Mjaja Ltd
- iii) There is no such investment like 110% Uganda Stock. The reference in the will was believed to be typing error not previously noticed
- iv) Makelele replied in writing that he did not want anything to do with Munya's gift because he was a bad neighbor
- v) Munyua paid sh. 100,000 during his lifetime to sister Momo to boost her business

Required:

A distribution statement as at 31 March 2015.

(7 marks)

- a) A list of gifts which may not be assented, giving reasons for their decisions.

(8 marks)
- b) Describe the duties and responsibility of a personal representative of a deceased person.

(5 Marks)
- c) In accordance with the law of Trust Cap 167 Laws of Kenya, the trust estate should be invested in Special Range, Wider Range and Narrower Range. Citing the provisions of the relevant Act, discuss these provisions

(6 marks)

- d) "A will is a testamentary document which must be executed to the letter." Discuss the exceptions to the above-mentioned statement. (4 marks)

QUESTION TWO (20 MARKS)

- a) Maina died on 31st December 2022 and left his estate as follows:
- | | |
|--|--------------|
| Household furniture | ksh180,000 |
| Cash in house | ksh 4,000 |
| Cash at bank | ksh 500,000 |
| 20,000 ordinary shares of Kshs 20 each in BBK Ltd. valued at Kshs.30 per share. | ksh600,000 |
| Investment at 5% on freehold property securities (interest thereon paid to 30 th August 2022) | ksh800,000 |
| Share in business of Maina & Co. valued at death | ksh2,452,800 |
| Sundry debtors | ksh40,000 |
| Liabilities | ksh10,000 |
| Funeral expenses | ksh20,000 |

The following additional information is available:

1. A legacy of Kshs.40, 000 was bequeathed to his executor and was paid on 28 March 2013.
2. The residue of the estate was left in trust for his infant son.
3. The household furniture was sold on 15th February 2023 for Kshs.192, 000.
4. The BBK Ltd shares were sold on the 15th February 2023 at Sh.29 ex div, a dividend being received on 25th March 2023 at 10% for the year ending 28th February 2023.
5. Interest on investment in freehold property securities was received on 28th February 2023, on which date the shares in the business of Maina & Co. were received with interest being recognised at the rate of 5% per annum.
6. The liabilities and funeral expenses were discharged on 20th February 2023 on which date Kshs.20, 000 of the debts due were received. The balance being unpaid at the date of preparation of the accounts.

Required;

- i) Journal entries to record the above transactions (3 Marks)
 - ii) The Estate cash book (2 Marks)
 - iii) The Estate income account (2 Marks)
 - iv) The Estate Capital account (2 Marks)
 - v) Balance sheet of the deceased as at 31st March 2023 (3 Marks)
- b) Evaluate the various types of legacies. (8 Marks)

QUESTION THREE (20 MARKS)

- a) Write brief notes on the following:
- i) Advancement (2 Marks)
 - ii) Maintenance (2 Marks)
 - iii) Breach of trust (2 Marks)
 - iv) Executorship (2 Marks)
- b) Kimaru and Majiwa are life tenants of a trust set up by their uncle. The trustees have investment powers restricted to those contained in the Trustee Act (Chapter 167 of the Laws of Kenya) except they could hold at their absolute discretion 300,000 shares of Sh.10 each in Kilimanjaro Enterprises Limited, a horticultural exporting company run by the uncle. On 31 March 2021, the balance sheet of the trust was as follows:

	Shs 000	sh000
Fixed interest investments		
Sh.2 million 10% Kenya stock 2016 (cost)	2,000	
Sh.2 million 9% Kenya stock 2015 (cost)	1,800	
Cash at bank	<u>200</u>	4,000
Wider range investments		
40,000 shares of Sh.100 in E.A. Breweries Ltd (cost)		4,000
Special range investments		
300,000 shares in Kilimanjaro Enterprises Ltd. (cost)		<u>3,000</u>
		<u>11,000</u>
Trust capital		
Fixed interest fund		4,000
Wider range fund		4,000
Special range fund		<u>3,000</u>
		<u>11,000</u>

In the year to 31 March 2022, the following occurred:

2021

- 30 June Interest for the year ended 30 June 2021 was received on 10% Kenya stock. School fees for Kimaru and Majiwa were paid immediately using the whole amount received.
- 30 September A final dividend of 75% for the year ended 30 June 2021 was received from E.A. Breweries Ltd. (payout rate 10%).
- 30 November The E.A. Breweries Ltd. shares were sold at Sh.110 each. At the same time, a satisfactory buyer was found for the 300,000 shares in Kilimanjaro Enterprises Limited – these shares were sold for Sh.15 each. Some high yielding 12% Kenya stock 2017 was available at par on this date. It was decided to use all the wide range cash available to purchase this stock and designate it as a wider range investment.
- 31 December Interest was received for the year on the 9% Kenya stock and Sh.42,000 interest was received on the fixed interest cash at bank.

2022

28 February 61,250 Sh.10 ordinary shares in ICDI Limited were purchased for Sh.40 per share using the fixed interest cash and a suitable switch was made to ensure adherence to the requirements of the Trustee Act. The market value of the 12% Kenya stock 2017 on this date was still par.

31 March All remaining income cash was paid across to the life tenants, after trust administration expenses of Sh.120,000 were paid for the year.

a) Write up the trust cash account, the income account (showing payments to beneficiaries in this account) and the trust capital account for the year ended 31 March 2022.

(6 Marks)

b) Prepare the trust Statement of Financial Position as at 31 March 2022 .

(6 Marks)

QUESTION FOUR (20 MARKS)

a) Discuss the procedure to be followed in the termination of a trust.

(5 Marks)

b) Describe with relevant examples the types of succession.

(5 Marks)

c) Explain the five steps in a probate process.

(10 Marks)

QUESTION FIVE(20 MARKS)

a) Discuss the classifications into which trusts are classified, giving examples for each class.

(5 Marks)

b) How can a valid will be revoked? Explain.

(5 Marks)

c) Evaluate three ways in which a trust can be created and ways in which the trust management can be discharged thereof.

(10 Marks)