



MACHAKOS UNIVERSITY

University Examinations for 2021/2022 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING BANKING AND FINANCE

FOURTH YEAR SECOND SEMESTER EXAMINATION FOR

BACHELOR OF COMMERCE

BAC 411: TRUST AND EXECUTORSHIP LAW AND ACCOUNTS

DATE: 7/12/2021

TIME: 11.00-1.00 PM

INSTRUCTIONS:

ANSWER QUESTIONS ONE AND ANY OTHER TWO

QUESTION ONE (30 MARKS)

- a) Briefly explain FIVE characteristics of a will. (10 marks)
- b) Describe the three most important conditions or certainties for a trust (6 marks)
- c) After discharging all the debts, funeral expenses and testamentary expenses, the estate of Mr. John deceased comprised the following:

	Ksh.
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 Nairobi	90,000

His will provides the following legacies:

1. To his widow Jane Ksh. 500,000 and his personal belongings
2. To his sister Mary Ksh. 100,000
3. To his son Alex the plot at Nairobi and Ksh. 56,000
4. To his daughter Lucy Ksh. 150,000 payables out of his loan account with East Africa Building Society
5. To his friend Monica, his ordinary shares in MAKOS SACCO
6. To his brother kimani Ksh. 150,000
7. To the local Golf Club, 12.5% Kenya mortgage bond

All the beneficiaries are of full age.

Just before he died Mr. John had sold his interest in MAKOS SACCO for Ksh. 500,000 and all the amount due to him had been discharged.

Mary and Alex had been killed in a road accident six months before John died. Mary is survived by her son Mark, while Alex is survived by his widow, Alice and daughter Ann.

Alex's will, left the whole of his estate to his widow Alice.

You are required to prepare a distribution account showing the final distribution of the estate
(14 marks)

QUESTION TWO (20 MARKS)

- a) Discuss the various types of trusts available in Kenya. (14marks)
- b) Explain the three main formalities of a will (6 marks)

QUESTION THREE (20 MARKS)

- a) Explain what you by the terms "capacity of the trustee" and "implied trust" (6 marks)
- b) Discuss the procedures to be followed in the appointment of trustees. (14 marks)

QUESTION FOUR (20 MARKS)

- a) Distinguish between the following legacies:
 - 1. Specific and general legacies (4 marks)
 - 2. Demonstrative and pecuniary legacies (4 marks)
 - 3. Residuary and conditional legacies (4 marks)
- b) State and explain clearly any FOUR reasons why for establishing a trust (8 marks)

QUESTION FIVE (20 MARKS)

- a) Briefly discuss the reasons why testamentary gifts fail in Kenya (14 marks)
- b) Define the following terms:
 - (i) Settlor (2 marks)
 - (ii) Trustee (2 marks)
 - (iii) Beneficiary (2 marks)