

10% two million loan stock, Zena company sh.10, 12 000 ordinary shares and Lisa Limited sh.8, 10 000 ordinary shares .Interest on the stock is paid on 30th June and 31st December. On 20th July

Zena Limited paid a dividend of 6% for the year ended 30th June .On 10th February 2019, Lisa Limited paid 5% dividend for the year ended on 31st December 2018. Loan interest for the first half of the year was paid on the same date.

Required: Journal entries to record the above income (10 marks)

QUESTION TWO (20 MARKS)

Tom C. died on 1st February 2018, leaving the following estate:

	Shs.
Sh 800 00, 10% government stock	720,000
10,000 ordinary shares of sh 10 each in XYZ Company	135 000
5,000 ordinary shares of sh10 each in ABC Ltd	57 500
Building society deposit	60 220
Interest accrued to date	530
Balance at bank	62 420
Personal items	46,000
Freehold house	380,000
Debts and funeral expenses	12,600
Liabilities	800

His will included the following legacies:

- i) To his wife, the freehold house, personal items, the ordinary shares in both companies; XYZ and ABC companies and the sum of shs. 30,000 from the bank account
- ii) To his daughter Joy, his land at junction T and the sum of shs 280,000.
- iii) To his sons Peter, James and Daniel the sum of shs 50,000 each.
- iv) To his sister shs 120,000
- v) To his brother Victor his holding of shs 80,000 saving bond.

His will also directed that the residue and any income arising during the administration of the estate should go to wife.

The land at junction T was sold for shs 250,000 in 2016 and the savings bonds uncashed in 2017. His son James died in 2014 leaving his sons Brian and Joe. All beneficiaries are full age.

The following transactions took place during three months period ended 30.4.2018

28th February received dividends of shs 1.50 per share for the year ended 31st December 2017 on shares in XYZ Company.

31st March received proceeds of sale of Government stock of shs.800, 000

30th April Withdrew balance of shs 60 750 from building society account including interest to date.

Debts and funeral expenses were paid on 1st February 2018.

Required:

- a) Justify the testamentary dispositions (i to v) above; as per the Succession act 2012 provision. (5 marks)
- b) Estate capital account for the period ended 30th April 2018. (9 marks)
- c) Cash accounts (income and capital) for the period ended 30th April 2018. (6 marks)

QUESTION THREE (20 MARKS)

Amos died on 2nd January 2000 and left the residue of his estate in a testamentary trust to be equally shared between his daughters, Rose and Mary. The will directed the trustee to maintain the children out of income and invest in viable projects. Each child's share should be ascertained and discharged on reaching the age of 18 years.

The following information was provided for the year ended 31st December 2015

shs

Investments on Estate capital accounts

200 000 shares of sh.100 each in AB Ltd	25 000
300 000 shares of sh 100 each in XY Ltd	31 500

Investments in Accumulation Accounts

10 000 shares of sh 100 each in AB Ltd	1 250
10 000 shares of sh 100 each in XY Ltd	1 050
Bank balance: Estate capital account	3 500
Accumulation account	1 000
Estate capital account	56 200
Accumulation Account: Rose	1 800
Mary	2 700

On 7th January 2016 received dividend of sh. 10 per share on AB Ltd shares and sh. 5 per share on XY Ltd shares. Maintenance payments on accumulation accounts were sh.600 000.

Rose attained the age of 18 years on 28th February 2016. On that date, the market value of shares were AB ltd sh. 130, XY sh.110. All the investments were revalued and the trustees discharged their liability to Rose through distribution to her of:

- i) 50% of each of the investment's held on capital account
- ii) 40%v of each of the investment held on accumulation
- iii) Cash for the balance of the amount due to her

Required;

- i) Estate capital account (3 marks)
- ii) Cash account (capital and income) (5 marks)
- iii) Accumulation accounts (in columnar form) (5 marks)
- iv) Distribution Accounts (7 marks)

QUESTION FOUR (20 MARKS)

Kimani D. died intestate on April 30th 2018, and left a widow and his two ten year old sons Peter and John.

His estate at death consisted of:

	Shs.
Sh 340 000, 8% Government stock	301 000
(Interest 31 st January and 30 th September)	
Sh 280,000 3.7 % savings bond	246, 000
(Interest 30 th April and 31 st October)	
Building society deposit at 8%	50 000
(Interest 31 st December and 30 th June)	
Accrued interest on society deposits	750
Household furniture	40 000
Cash in the bank	84 450
Debts	2 000
Funeral expenses	5,500

Additional information

Interest on government stocks was received on due dates.

The following transactions took place during the year ended 31st March 2019:

2018

31 May. Expenses of sh 110,500 were paid in respect of estate

30th June. The building society deposit was repaid to personal representative, together with interest due. .

12 July. Sh 200 000, 9% government stock was sold ex-int; due to 1 August, the net proceeds amounting to sh 166,200.

10 August. The debts and funeral expenses were paid.

30 September. Bank debited the personal representative's account with interest amounting to sh 400 (chargeable to income).

2 October. The household effects was given to the widow's statutory rights in the capital of the estate.

31 January 2019 Administration expenses of sh 2 000 were paid.

Required: Prepare

- a) The estate capital account for the year ended 31st March 2019. (7 marks)
- b) The estate cashbook for the year ended 31st march 2019. (8 marks)
- c) Statement of financial position as at 31st March 2019. (5 marks)

QUESTION FIVE (20 MARKS)

Maina died on 31 October 2018 and left his estate as follows:

	Shs
Household furniture	60 000
Investment at 8 per cent on freehold property shares	
(Interest thereon paid to 30 June)	220 000
Cash at the bank	140 000
12,000 ordinary shares of sh.15 each in LM company	204 000
Share in business of Timela and Co	650 000
Sundry debtors	42 000

Liabilities	4 000
Funeral expenses	7 000

The following information is also available:

The residue of the estate was left in trust of his ten year old son.

On 15th December 2018 the household furniture was sold for sh.68,000.

The shares were sold on 19th December at sh. 13 ex. div, a dividend being received on 25th January 2019 at 10% for the year ending 31st December 2018.

Interest on investment in freehold property shares was received on 31st December 2018, on which date the share in the business of Timela Co. was received with interest at 7% per annum.

The liabilities and funeral expenses were discharged on 20 December 2018 on which date sh7 ,000 of the debtors due were received , the balance being unpaid at the date of preparation of the accounts.

Required:

- a) The Estate Capital Account (12 marks)
- b) The Estate cash book. (income and capital) (8 marks)