

QUESTIONS

NUMBER ONE

The year end of Dmax Ltd is 30 June. The trial balance at 30 June 19X9 was as follows:

	£	£
5.6% 100,000 Redeemable preference shares of £1 each fully paid.		100,000
400,000 ordinary shares of £1 each (authorized £500,000)		400,000
Freehold land and buildings, July 19X8 cost	414,900	
Additions during the year	20,000	
Plant and equipment (cost, £240,000) – see note	120,000	
Office furniture (cost, £30,000)	22,000	
Inventory of raw material, July 19X8	93,200	
Inventory of finished goods July 1 19X8	12,700	
Work-in-progress July 19X8	9,200	
Debtors	107,600	
4% debenture (repayable at par, January 1 19X22)		150,000
Debenture interest, half year to December 19X8 (gross), paid on January 1 19X9	3,000	
Dividends and interest:		
From unquoted investments receive May 1 19X9		700
From quoted investments received June 30 19X9		3,000
Share premium account		136,400
Unquoted investment at cost	32,000	
Quoted investments at cost (market value £71,000)	60,200	
Retained profits – balance July 1 19X8		30,900
Cash at bank and in hand	182,920	
Creditors		78,580
Sales		791,000
Purchases	319,600	
Carriage inwards	16,000	
Bank interest	2,900	
Wages and national insurance (factory)	137,900	
Plant hire (internal telephone system)	1,300	
Rates	5,000	
Repairs to premises	600	
Administrative salaries (including directors' £30,000)	61,300	
Salesmen's salaries (including directors' £40,000)	100,000	
Postage and telephone	1,800	
Printing and stationery	400	
Legal and professional charges	800	
Advertising	1,700	
Directors' fees	600	
Bank charges	100	
Salesmen's commissions	5,200	
Power and lighting (factory)	6,700	
Insurances – factory	7,200	
Insurances – office	400	
Repairs to plant	8,500	
Preference share dividend for half-year, due and paid on January 1 19X9	2,800	
Tax paid	900	
Provision for corporation tax, payable January 1 19X0		30,240
Deposit interest received		38,600
	<u>1,759,420</u>	<u>1,759,420</u>

The following adjustments are required:

1. Accruals:	£
Power and lighting	2,400
Salesmen's commissions	1,600
Auditors' remuneration, including expenses	1,000
Doubtful debts provision	2,500
Depreciation	
Plant and equipment	10% straight-line on cost
Office furniture	10% on reducing balance

Corporation tax on profits for the year estimated at £67,000.

A final ordinary dividend of 5% (payable 31.7.19X9) is to be provided for.

Closing Inventory

Raw materials 76,400

Work-in-progress 12,800

Finished goods 40,100

7. Prepayments:

Factory insurances 1,100

Rates 1,200

8. The income tax position is:

INCOME TAX ACCOUNT

19X9	£	19X9	£
April 14 Bank	900	Jan 1 Debenture interest (tax deducted)	900
June 20 Tax deducted from investment income	900	June 30 Corporation tax account	900
	<u>1,800</u>		<u>1,800</u>

9. Corporation tax payable on 1 January 19X10, has been agreed at £28,840.

10. At June 30 19X9, the company had placed contracts for heavy machinery for £80,000 and the Board has authorized, but not yet placed, a contract for a new storeroom for £30,000.

11. During the year, the company acquired new plant for £10,000 and sold obsolete plant at written-down value (cost £5,000; accumulated depreciation, £4,000). There were no acquisitions or disposals of office furniture.

12. The unlisted investments relate to a 3% shareholding in a private company.

13. There is no substantial difference between the purchase price or product costs of closing stocks, and their replacement cost or most recent prices at the balance sheet date.

14. The historical cost of land and buildings at 1 July 19X8 was £200,000.

15. The company acquired the business of G Huyton & Co on 18 August 19X9 for consideration in cash amounting to £139,500.

16. Staff details

These details include relevant information relating to directors.

i. Administrative salaries include £4,017 in respect of social security costs and £3,675 in respect of other pension costs. Respective figures for salesman's salaries are £7,095 and £6,042; for factory wages and national insurance, £10,538 and £8,473.

17. Directors' emoluments

Director's emoluments, exclusive of pension contribution are £56,690.

Required:

- Prepare the published income statement for year ended 30 June 19X9 classifying expenses by function.
- Prepare the published balance sheet as at 30 June 19X9.
- The relevant notes to the accounts.

(Total: 25 marks)

NUMBER TWO

Batu, Hari and Violet have been working in partnership as architects for several years.

At 1 September 197 summarised balance sheet showed:

Capital Accounts	Shs.		Shs.
Batu	720,000	Studio	450,000
Hari	450,000	Motor cars	720,000
Violet	360,000	Equipment	180,000
		Net current assets	180,000
	<u>1,530,000</u>		<u>1,530,000</u>

The partnership agreement allows for 15% per annum interest on capital and profit or loss shared between Batu, Hari and Violet in the ratio 5:4:3, respectively. Violet is guaranteed a minimum of Shs.559,000 per annum in addition to her interest on capital.

Batu retired on 28 February 19 8, on which date the goodwill was valued by an agreed method at Shs.1,080,000. A goodwill account is not to be maintained in the books. Batu took over the car he had been using – its book value at 1 September 19 7 was Shs.270,000 and agreed valuation at 28 February 19 8 was Shs.207,000. Hari and Violet continued in partnership, sharing profits or loss equally after allowing interest on capital at 15% per annum as before and with no guarantee share to Violet

Fees earned were Shs.1,080,000 for the first half-year and Shs.1,400,000 for the second half. The operating expenses were Shs.450,000 and Shs.350,000 for the two half-years respectively. Depreciation on the cars is charged at 20%, on the equipment at 10% per annum on book values.

At 28 February 19 8 Hari agreed to purchase the studio for Shs.990,000 cash and then to lease it back to the new partnership for Shs.150,000 per annum. The cash was partly used to repay Batu all but Shs.360,000 of the amount owing to him, interest of 18% per annum being paid on that balance. The profit on the studio was credited to the partnership' capital accounts. Hari and Violet withdrew Shs.720,000 and Shs.675,000 respectively during the year.

Required:

Prepare the partners' capital accounts, the profit and loss account for the year ended 31 August 19 8 and a balance sheet at that date.

(Total: 20 marks)

NUMBER THREE

Sir Arsen' is a fashionable men's clothing store with a Head Office in Mombasa and branches all over Kenya. Books are not maintained in the branches: data is sent by Tetra Services Ltd. from the branches to a head office computer in Mombasa. A computer program has been developed by Sir Arsen' to write up the traditional accounts of each branch in the usual way. The following data relates to the Kisumu branch. All prices quoted are selling prices.

		Sh.' 000'
1 July 1995	Opening stock (at Head Office cost plus 50% on cost: goods with a normal selling price of Sh.600,000 had with the authority of the Head Office been marked down by 15%/Q).	6,210
Transactions to		
30 June 1996	Goods received by branch from Head Office (at cost plus 50%)	71,040
	Goods returned to Head Office (including one fifth of the opening stock of marked down goods)	1,470
	Cash sales (these include the remainder of the opening stock of marked down goods and one half of goods received in the year at a selling price of Sh.720,000 marked down by 50% to clear them - the other half is included in closing stock at the year end) - to general public	38,592
	Credit sales (to other retailers)	27,990
	Retailer customer returned goods to Kisumu branch	186
	Goods received from Kisii branch during the year	246
	Goods sent to Kitale branch during the year	321
	Retailer customer returned goods to Head Office in Mombasa	522
	Cash stolen in transit to the bank on 21 June 1996	129
	Goods stolen on the night of 9 March 1996	420

The stock-take carried out on 1 July 1996 confirmed that the book value of closing stock was correct. Kisumu branch expenses amounted to Sh. 19,200,000.

Required:

To test the correctness of the computer program, the chief accountant asks you to write up the Kisumu branch stock account and the Kisumu branch mark-up account, and a memorandum trading and profit and loss account for the year ended 30 June 1996.

(Total: 20 marks)

NUMBER FOUR

What are the duties of an Interim Liquidator? How do they differ from those of a Receiver and Manager?(6 marks)

As a result of serious problems with its export market, 'Whispers Stores Limited went into voluntary liquidation on 1 May 1992. The interim liquidator provided the following information;

The assets of the company including machinery realized Shs.2,100,000.

Liquidation expenses amounted to Shs.75,000.

Whispers Stores Limited had borrowed a loan of Shs.250,000 from National Bank. The loan was secured against machinery which realized Shs.402,500 upon disposal.

The company due to liquidity problems had not paid salaries of four clerks for four months.

Each clerk was entitled to a salary of Shs.1,500 per month. In addition, salaries of four messengers for three months at the rate of Shs.750 per month was outstanding.

Creditors worth shs.437,000 were in the books.

The shares capital was composed as follows:

10,000 Class A ordinary shares of Shs.100 each (Shs 75 paid-up).

8,000 Class B ordinary shares of shs.100 each (Shs.60 paid-up)
 7,000 Class C ordinary shares of Shs.100 each (shs.50 paid-up)
 10,000 8% preference shares of Shs100 each (fully paid-up)

Required:

The liquidator's Statement of receipts and payments with the appropriate support schedules. (14 marks)
(Total: 20 marks)

NUMBER FIVE

- a) With reference to the provisions of the law of succession:
- i) Define a will; (2 marks) D
 - ii) Give two short explanation of failure of legacies. (4 marks) G
- b) Mr Munuhe dies intestate, leaving his two wives Lucy and charity whom he married under a system of law which permits polygamy. A third wife Beatrice had predeceased him. Lucy has three children Paul Luka and Renny. Beatrice had two children Shiru and Tom. Charity has no children.

All the children are alive at the time of Mr. Munuhe's death. The value of his personal and household effects was Sh.350,000 and the value of the net intestate estate was Sh.3,150,000.

Required:

A clear statement to show how Mr. Munuhe's property would devolve. (9 marks)
(Total: 15 marks)

ANSWERS

NUMBER ONE

Dmax PLC

Income statement for the year ended 30 June 19X9

	£	£
Turnover		791,000
Cost of sales		(507,000)
Gross profit		284,000
Operating expenses		
Distribution	111,000	
Administration	74,300	(185,300)
Operating profit		98,700
Investment Income		42,300
		141,000
Finance costs		(8,900)
Profit before tax		132,100
Tax		(66,500)
Profit after tax		<u>65,600</u>

Format II

Dmax PLC
Income statement for the year ended 30 June 19X9

	£	£
Turnover		791,000
Other operating income		<u>-</u>
		791,000
Expenses		
Change in finished goods and W.I.P.	(31,000)	
Raw materials consumed	352,400	
Depreciation & Ammortisation	26,200	
Staff costs	306,600	
Other operating expenses	38,100	<u>(692,300)</u>
Operating profit		<u>42,300</u>
		141,000
Finance costs		<u>(8,900)</u>
		132,100
Tax		<u>(60,500)</u>
Profit after tax		<u>65,600</u>

Dmax Plc

Statement of changes in Equity for the year ended 30 June 19X9

	Preference share capital	Ordinary Share capital	Share Premium	Proposed Dividends	Retained Profit	Total
	£	£	£	£	£	£
Bal as at 1 July 19X8	100,000	400,000	136,400	-	30,900	667,300
Prior period adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance as	100,000	400,000	136,400	-	30,900	667,300
Net gains in P & L	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Profit for year	-	-	-	-	65,600	65,600
Dividends: Interim	-	-	-	-	(2,800)	(2,800)
Final proposed PSC	-	-	-	2,800	(2,800)	-
OSC	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,000</u>	<u>(20,000)</u>	<u>-</u>
Bal as at 30 June 19X9	<u>100,000</u>	<u>400,000</u>	<u>136,400</u>	<u>22,800</u>	<u>70,900</u>	<u>730,100</u>

Dmax
Balance Sheet as at 30 June 19X9

Non current assets	£	£
Property plant and equipment		550,700
Intangible Assets		
Investments Quoted		32,000
Unquoted		60,200
Current Assets		
Stock	129,300	
Debtors	105,100	
Prepayments	2,300	
Bank Balance & Cash in hand	<u>182,920</u>	<u>419,620</u>
Total assets		<u>1,062,520</u>
Equity and Liabilities		
Authorised Share Capital		
10,000 5.6% preference shares @ £1 each		100,000
500,000 £1 ordinary shares		<u>500,000</u>
Issued and full paid		<u>600,000</u>
5.6% preference shares @ £1 each		100,000
400,000 £1 ordinary shares		400,000
Capital Reserves		
Share premium		136,400
Revenue Reserve		
Proposed Dividends	22,800	
Retained profit	<u>70,900</u>	<u>93,700</u>
Share holders funds		730,100
Non-current Assets		
Debenture		150,000
Current liabilities		
Creditors	78,580	
Accruals	8,000	
Tax payable	<u>95,840</u>	<u>182,420</u>
Total equity and liabilities		<u>1,062,520</u>

Notes to the Accounts:

1) Accounting policies

These financial statements have been prepared under the historical cost basis of accounting and in accordance with the International Financial Reporting Standards.

Property Plant and Equipment is carried at cost less depreciation provided to date and depreciation is based on the estimated useful lives of the assets.

Asset	Rate
Freehold and Building	-
Plant and Equipment	10% on cost
Office Furniture	10% on reducing balance

Inventory comprises of raw materials, work in progress and finished goods and is stated at the lower of cost and net releasable value.

2. Operating Profit

The operating profit for the year is aimed allowing expenses:

	£
Depreciation	26,200
Directors emoluments:	
Fees	600
Salaries	56,690
Staff costs	249,310
Auditors remuneration	1,000

3. Taxation

The corporation tax for the year is based on the adjusted profits for tax purpose at a corporation tax rate of 30%

4. Property plant & equipment

	Land & Building	Plant & Equipment	Office Furniture	Total
Cost/Valuation	£	£	£	£
Bal as at 1 July 19X8	414,900	235,000	301,000	689,900
Additions	20,000	10,000	-	30,000
Disposals	-	(5,000)	-	(5,000)
Bal as at 30 June 19X6	434,900	240,000	30,000	704,900
Depreciation				
Balance as at 1 July 19X8	-	124,000	8,000	132,000
Transfer to Revaluation R	-	-	-	-
Charge for tea	-	24,000	2,200	26,200
Eliminated or Disposal	-	(4,000)	-	(4,000)
	-	144,000	102,000	154,200
Bal as at 30 June 19X9	<u>434,900</u>	<u>96,000</u>	<u>19,800</u>	<u>550,700</u>
Bal as at 1 July 19X8	<u>414,900</u>	<u>111,000</u>	<u>22,000</u>	<u>547,900</u>

Workings for cost of sales

Manufacturing Account

<u>Raw Materials</u>	£	£
Opening Stock		93,200
Purchases	319,600	
Carriage Inwards	<u>16,000</u>	
Raw materials available for consumption		335,600
Less: closing stock of raw materials		<u>(76,400)</u>
Raw materials consumed		352,400
Factory wages		<u>137,900</u>
PRIME COST		490,300
<u>Factory overheads</u>		
Plant and equipment Depn (10% x 240,000)	24,000	
Power and lighting	9,100	
Insurance	6,100	
Repairs to plant	<u>8,500</u>	
Total cost of production		47,700
Add: Work in progress b/f		538,000
		<u>9,200</u>
		547,200
Less: Closing W.I.P.		<u>(12,800)</u>
Cost of finished goods		<u>534,400</u>

Cost of sales

	£
Opening stock of finished goods	12,700
Cost of finished goods	<u>534,400</u>
	547,100
Closing stock	<u>(40,100)</u>
C.O.G.S	<u>507,000</u>

Expenses

	Distn.	Adm
Depreciation Office furniture		2,200
Provision for bad debts	2,500	-
Plant hired (kn		1,300
Rates	-	3,800
Repairs to premises	-	600
Admn salaries	-	61,300
Salesmen salaries	100,000	-
Postage & Telephone	-	1,800
Printing and stationery	-	400
Legal and professional charges	-	800
Advertising	1,700	-
Directors fees	-	600

NUMBER TWO

Batu, Hari and Violet

Assumptions/Notes

- Equipment and motor cars are depreciated at 5% and 10%, for the second half of the year, on book values on 1st September 19 7 and not on book values on 1st March 19 8.
- The loss on the disposal of the motor car to Batu was charged to the P&L a/c for the 6 months ____ to 28th February 19 8.
- It is assumed that depreciation is not already included in the operating expenses.
- In the solution below, rent payable to Hari) is deducted from net current assets. An alternative would be to include this in Hari's current account.

Capital Accounts								Current Accounts							
	Batu	Hari	Violet		Batu	Hari	Violet		Batu	Hari	Violet	P&L	Batu	Hari	Violet
Motorcar	207	-	-	Bal b/f	720	450	360	Drawings	-	720	675	Pol.Int	54	67.5	43,875
Goodwill	-	540	540	Goodwill	450	360	270	Cap. a/c	519,938	-	-	Share			
CB	1,347,938	-	-	Studio		180	135	Bal c/d	-	139,237	67,425	of Prof.	465,938	791,757	698,551
Loan a/c	360	-	-	Prof.	225										
Bal c/d				Curr A/c	519,938				519,938	859,237	742,425	Bal	519,938	859,237	742,425
	-	450	225									b/d		139,237	67,425
	1,914,938	990	765		1,914,938	990	765								
				Bal b/d		450	225								

Profit and Loss Account for the year ended 31st August 19 8

	6 mts to 28 Feb Shs.'000'	6 mts to 31 Aug Shs.'000'	Year to 31 Aug Shs.'000'
Fees	<u>1,800</u>	<u>1,400</u>	<u>3,200</u>
Operating Exps	450	350	800
Deprec: Motor cars	72	45	117
Equipment	9	9	18
Loss on disposal of car	36	-	36
Studio rent	-	75	75
Loan interest	<u>-</u>	<u>32.4</u>	<u>32.4</u>
	567	511.4	1,078.4
Net profit	<u>1,233</u>	<u>888.6</u>	<u>2,121.6</u>
Interest on capital			
B	54	-	54
H	33.75	33.75	67.5
V	27	16.875	43.875
	<u>114.75</u>	<u>50.625</u>	<u>165.375</u>
Share of Profit			
B 5/12) 465.937			465.937
H 4/12) 372.75		-	791.737
V 3/12) 279.563		(1/2) 418,987	698.551
Min.279.5)		(1/2) <u>418.988</u>	<u>1,956.225</u>
	<u>1,118.25</u>	<u>837.975</u>	<u>2,121.600</u>
	<u>1,233</u>	<u>888.6</u>	

Balance Sheet as at 31st August 19 8

Fixed Assets NBV)			Shs. '000'
Motor cars			360
Equipment			<u>162</u>
			522
Net current assets			<u>719.662</u>
			<u>1,241.662</u>
Capital accounts	Harpa	Viola	
	<u>450</u>	<u>225</u>	675
Current accounts	<u>139,257</u>	<u>67,425</u>	<u>206.662</u>
			881,662
18% loan Banjo)			360
			<u>1,241.662</u>

NUMBER THREE

BRANCH STOCK A/C

	Sh.'000'		Sh.'000'
Bal b/d	6,210	GSTB: Returns	<u>992</u>
GSTB	47,360	Branch mark-up: Returns	<u>478</u>
Branch mark up	23,680		<u>1,470</u>
	<u>71,040</u>	Branch mark-up: reduction in Selling price	
Debtors: Returns	186	Branch debtors: Sales	360
Kisii Br. GSTB	164	Kitale BR. Stock: Stock transfer	27,990
Branch mark up	82	Profit & Loss: Stolen goods	321
		Markup stolen goods	<u>280</u>
			<u>140</u>
		Cash sales (cash stolen)	<u>420</u>
		Branch cash sales	129
		Bal c/d	38,592
	<u>77,682</u>		<u>8,400</u>
			<u>77,682</u>

BRANCH MARKUP A/C

	Sh.'000'		Sh.'000'
Branch stock returns	478	Bal b/d	2,010
Branch stock markdowns	360	Branch stock a/c	23,680
Debtors: returns to Head office	174	Kisii branch markup: S	
Kitale branch markup: stock transfer	107	Stock transfer	82
Branch stock: lost goods	140		
Gross profit to Profit & Loss	21,773		
Balance c/d	<u>2,740</u>		
	<u>25,772</u>		<u>25,772</u>

WORKINGS:

	OPENING STOCK			RETURNS TO HEAD OFF			CLOSING STOCK		
	Normal	Markdown	Total	Normal	Markdown	Total	Normal	Markdown	Total
	Sh.'000'	Sh.'000'	Sh.'000'	Sh.'000'	Sh.'000'	Sh.'000'	Sh.'000'	Sh.'000'	Sh.'000'
Cost	3,800	400	4,200	912	80	992	5,480	180	5,660
Profit	<u>1,900</u>	<u>110</u>	<u>2,010</u>	<u>456</u>	<u>22</u>	<u>478</u>	<u>2,740</u>	<u>(0)</u>	<u>2,740</u>
Selling Price	<u>5,700</u>	<u>510</u>	<u>6,120</u>	<u>1,368</u>	<u>102</u>	<u>1,470</u>	<u>8,220</u>	<u>180</u>	<u>8,400</u>

GOODS SENT TO BRANCH

	Sh.'000'		Sh.'000'
Branch stock: Returns	992	Branch stock	47,360
Branch debtors: returns	348		
To trading	<u>46,020</u>		
	<u>47,360</u>		<u>47,360</u>

SIR ARSEN

MEMORANDUM TRADING, PROFIT AND LOSS ACCOUNT FOR THE YEAR TO 30.06.96

	Sh.'000'	Sh.'000'
Cash sales(including cash stolen)		38,721
Credit sales		<u>27,990</u>
		66,711
Less returns: By debtors to Kisumu	186	
By debtors to Head office	<u>522</u>	<u>(708)</u>
Cost of sales		66,003
Opening stock at cost		
Goods from head office	4,200	
Goods from Kisii	47,360	
Less: Returns to Head office by branch	164	
Transferred to Kitale	(992)	
Stolen goods	(214)	
Returns to Head office by debtors	(280)	
Less opening stock (8,529 – 2,603)	(348)	
Gross profit	<u>(5,660)</u>	<u>44,230</u>
Expenses: Sundry expenses		21,773
Stolen cash	19,200	
Stolen stock	129	
	<u>280</u>	<u>(19,609)</u>
		<u>2,164</u>

NUMBER FOUR

The duties of the interim liquidator are:

1. To carry on the business of the company, so far as may be necessary for the beneficial winding-up thereof;
2. To bring or defend any legal proceedings in then name and on behalf of the company;
3. To pay any class of creditors in full;

4. To make any compromise or arrangement with creditors or persons claiming to be creditors;
5. To compromise all calls, and liabilities to calls, debts and liabilities capable of resulting in debts and all claims and all questions affecting the assets or the winding up of the company, with power to take security and give complete discharges;
6. To employ an advocate to assist him in the performance of his duties;
7. To rectify the register of members;
8. To sell all the property of the company by public auction or private contract;
9. To do all such other acts and things as may be necessary for winding up the affairs of the company and distributing its assets;

(b) The duties of a Receiver and Manager are:

1. To observe the directions given in the order appointing him (if appointed by the court) give the security required;
2. To give notice of his appointment to all debtors;
3. To collect any rent in arrears and all sums due and to give receipts;
4. To insure real property against fire;
5. To receive proposals and make arrangements as regards the leasing of any property over which he is the receiver;
6. To execute necessary repairs;
7. To pass accounts as directed;
8. To apply the monies received by him to pay rents and outgoings of the mortgaged property, to pay his commission, to pay interest and principal to mortgage and paying the residue to the person who would otherwise have been entitled.

Whispers Stores Ltd

Liquidator's Statement of Receipts and Payments

Receipts	Shs	Payments	(a) Shs	(b) Shs
Amount realized from all the assets		Liquidation Expenses	75,000	75,000
Not specifically pledged	1,697,500	To preferential Creditors	25,000	25,000
Amount realized from realization of assets		To Unsecured Creditors	<u>445,000</u>	<u>412,00</u>
Specifically			545,000	512,000
Pledged	402,500	To shareholders		
Deduct:: Paid to Secured creditors	<u>250,000</u>	Preference Class "A"	635,714	645,143
	152,500	Ordinary Class "B"	385,714	395,143
		Ordinary Class "C"	188,572	196,114
		Ordinary	95,000	101,600
			<u>1,305,000</u>	<u>1,338,000</u>
	<u>1,850,000</u>		<u>1,850,000</u>	<u>1,850,000</u>

Outstanding wages:

Assumed not in the books at 1st May 1992:

	Total Shs.	Preferential Shs.	Unsecured Shs.
Clerks 4 x (4 months @ sh.1,5000 = sh.6,000)	24,000	16,000	8,000
Messengers 4 (3 x months @ sh.150 = sh.2,250)	9,000	9,000	-
	33,000	25,000	8,000
Unsecured Creditors:	(a) Shs	(b) Shs	
Sundry creditors as per schedule	437,000	404,000	
Wages outstanding ranking as unsecured, As per accompanying schedule	8,000	8,000	
	445,000	412,000	
Shareholders:	Issued Shs	Paid Shs	Due from Shareholders shs
1. 10,000 8% Pref. Shares of shs100	1,000,000	1,000,000	Nil
2. 10,000 "A" old shares of shs 100	1,000,000	750,000	250,000
3. 8,000 "B" old shares of shs 100	800,000	480,000	320,000
4. 7,000 "C" old shares of shs 100	<u>700,000</u>	<u>350,000</u>	<u>350,000</u>
	<u>3,500,000</u>	<u>2,580,000</u>	<u>920,000</u>
Repayable if Total Capital paid:		Repaid	
(a)	(b)	(a)	(b)
1. 635,714	645,143	NIL	635,714
2. 535,714	645,143	250,000	385,714
3. 508,572	516,143	320,000	188,572
4. <u>445,000</u>	<u>451,600</u>	<u>350,000</u>	<u>95,000</u>
<u>2,225,000</u>	<u>2,258,000</u>	<u>920,000</u>	<u>1,38,000</u>

	(a) Shs	(b) Shs
Cash available to repay capital after expenses, preferential And unsecured creditors	1,305,000	1,338,000
Cash received to make shares full paid up	<u>920,000</u>	<u>920,000</u>
Cash available if all calls received in full	<u>2,225,000</u>	<u>2,258,000</u>
Amount repayable as capital if shares are fully paid up	3,580,000	3,580,000
Capital repayable: Dividend per shs.20	Shs.12.71	Shs.12.90

NUMBER FIVE

- a) (i) A will is a legal declaration by a person of his wishes and intentions regarding the disposition of his property after his death duly made and executed according to the provisions of the law of Succession Act.
- (ii) Reasons for failure of legacies:

Ademption

When the gift specifically bequested does not exist within the testator's property at the time of death, the gift is said to have "adeemed". However, if the gift had been converted into property of a different kind, and such new property falls into the category "traceable" such new property will replace the original gift and be handed over to the beneficiary.

Lapse

Where the beneficiary (legatee) predeceases the testator (legator) the gift is said to fail due to "lapse". There are two exceptions to the rule:

If the legatee is an issue of the testator; and the legatee, although deceased, left surviving issue of their own, the gift will pass to such surviving issue from the testator's estate).

The testator felt a moral need (or recognised a moral obligation) towards the legatee.

Uncertainty

A gift not expressive of any definite intention shall be void for uncertainty; such uncertainty arising as to:

What is being given

To whom it is being given

The quantity of the interest being given.

Disclaimer

A beneficiary can always disclaim a legacy – and will probably do so if the gift is subject to unfair or unreasonable conditions.

Gifts subject to illegal conditions

A gift will fail if it has an illegal condition attached to it, eg "I leave Sh.20,000 to my gardener Mwangi provided he murders my wife". However if the gift is only subject to a condition contrary to public policy (repugnant to equity and justice) the gift will pass whether the condition was fulfilled or not.

- (b) Mr Munuhe:

The law of intestacy provides for the following situations:
 A deceased intestate does not leave behind a spouse or children.
 A deceased intestate is survived by a spouse but no children
 A deceased intestate is survived by children but no spouse.
 A deceased intestate leaves behind both a spouse and children.

NB: If a deceased intestate leaves behind several wives and children all wives married under a system of law that permits polygamy, then his property is divided according to the “households”, after which any of the 4 situations above may apply.

The division amongst the “households” is based on the number of units in each household – where “Unit” refers to surviving spouse or child.

In the case of Mr Munuhe:

Households:	House A	House B	House C	Total
Spouse:	1 unit	1 unit	-	2 units
Children	3 units	-	2 units	<u>5 units</u>
				<u>7 units</u>
Property division				
Fractions	4/7	1/7	2/7	

Distribution of personal and household effects:

House A: Lucy will obtain absolutely:
 $\frac{4}{7} \times 350,000 = \text{Sh. } 200,000$ of household effects.

House B: Charity will obtain absolutely:
 $\frac{1}{7} \times 350,000 = \text{Sh. } 50,000$ of household effects.

House C: Shiru and Tom will each get absolutely
 $\frac{1}{2} \times \frac{2}{7} \times 350,000 = \text{Sh. } 50,000$ each in household effects.
 (This is because their mother Beatrice had already died).

Distribution of intestate’s net estate

House A: Lucy will get a life interest in the net estate worth.
 $\frac{4}{7} \times 3,150,000 = \text{Sh. } 1,800,000$

Upon her death (or remarriage) it will be divided equally amongst Paul, Luka and Renny – each getting Sh. 600,000 worth of property.

Household B:

Charity will get a life interest in property worth
 $\frac{1}{7} \times 3,150,000 = \text{Sh. } 450,000$.

Upon her death, (or remarriage) it will devolve as follows:

To Mr Munuhe’s father; or if dead

To Mr Munuhe’s mother; or if dead

To Mr Munuhe’s brothers and sisters and children of deceased brothers and sisters in equal shares; or if none.

To Mr Ruare’s half brothers and half sisters and children of deceased half brothers and half sisters in equal shares; or if none.

To relatives who are in the nearest degree of consanguinity up to and including the sixth; or if none

To the consolidated fund of the government.

Household C:

Beatrice's children Shiru and Tom will each obtain property worth:

$\frac{1}{2} \times \frac{2}{7} \times 3,150,000$ absolutely.

This amounts to Sh. 450,000 per person.

	Lucy	Charity	Paul	Luka	Renny	Shiru	Tom
Household & personal	200,000 (absolute)	50,000 (absolute)	-	-	-	50,000 (absolute)	50,000 (absolute)
Net estate	1,800,000 (Life interest)	450,000 (Life interest)	600,000 (Absolute upon death or remarriage of Luky)	600,000	600,000	450,000 (Absolute)	450,000 (Absolute)