



THE FIDUCIARY INSTITUTE OF SOUTHERN AFRICA



FPSA® BOARD EXAMINATION

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| Examination date | 9 September 2015 |
| Time: | 9:00 – 11:15 (2 hours and 15 minutes) |
| Total marks: | 50 |
| Examination Paper: | ADMINISTRATION OF DECEASED ESTATES |

This examination paper comprises 5 pages. Answer all the questions. The examiners are aware that there is not necessarily only one correct answer to certain questions in this examination paper. You are therefore expected to fully motivate all your answers, where applicable.

Only answers in your own handwriting in the official answer book will be considered.

SECTION A: MULTIPLE CHOICE

INSTRUCTIONS

Please complete this section by marking the correct letter on the **separate answer sheet in pencil**. Only **one answer** per question can be marked on the answer sheet. No answers given in the examination book will be taken into consideration. Please **read the question carefully** and ensure that you take the relevant facts into consideration for each question.

Choose the correct answer (Questions 1 - 8).

Question 1

Who of the following persons may be appointed as executor?

- i. A person aged 16 years or older.
- ii. A prodigal.
- iii. A rehabilitated insolvent.
- iv. A married woman

- a) i and iv
- b) ii and iii
- c) iii and iv
- d) none of the above

(2)

Question 2

Where a non-resident of South Africa dies intestate and has assets in South Africa, who of the following persons are responsible to report the estate to the local Master of the High Court?

- i. The deceased's next of kin.
- ii. Anyone in South Africa who is aware of the death of the deceased.
- iii. Any person in South Africa who has control of any of the deceased's local assets.

- a) i and iii
 - b) iii
 - c) All of the above
- (2)

Question 3

A *Section 27* inventory must be lodged by the executor under the following circumstances:

- i. The estate is dutiable.
- ii. He has been ordered to do so by the Master.
- iii. There are minor beneficiaries.
- iv. The executor was required to furnish security.

- a) i and iii
 - b) iii and iv
 - c) ii and iv
 - d) All of the above
- (2)

Question 4

The deceased and his surviving spouse are married in community of property. The gross value of the assets of the joint estate amount to R107,000.00. Calculate the Master's fees.

- a) R546.00
 - b) R0.00
 - c) R312.00
 - d) R600.00
- (2)

Question 5

Which of the following elements must be present when massing is considered:

- i. The parties must be married.
- ii. The parties must be married in community of property.
- iii. Both parties must contribute equally to the massed estate.
- iv. The will must be clear that massing intended.

- a) ii and iii
 - b) i and iv
 - c) all of the above
 - d) iv
- (2)

Question 6

The executor of an estate (who is not a beneficiary) uses the deceased's motor vehicle for his own personal business use without the consent of the beneficiaries. The motor vehicle is valued at R200,000.00. He also takes up residence in the deceased's home which is valued at R1,500,000.00 (also without consent). Determine the amount that the executor will be required to pay into the estate?

- a) R3,400,000.00
 - b) R1,500,000.00
 - c) R 200,000.00
 - d) R1,700,000.00
- (2)

Question 7

John and Mary Swart are married in community of property. John has died and Mary is the sole beneficiary in terms of the will. Which of the following documents would not be required to obtain Letters of Executorship?

- i. Death Notice
 - ii. Inventory
 - iii. Next of Kin Affidavit
 - iv. Will
 - v. Acceptance of Trust
- a) All of the above
 - b) None of the above
 - c) iii
 - d) i, ii and iv
- (2)

Question 8

Who of the following are prohibited from liquidating or distributing an estate?

- i. The surviving partner of a registered civil union.
 - ii. Any person related to the deceased by consanguinity or affinity up to and including the third degree to the deceased person.
 - iii. Any person in the full-time service of any other person who is lawfully liquidating and distributing the estate of the deceased person insofar as he is assisting such other person with the matter.
 - iv. The deceased's mother
- a) i, ii and iii
 - b) iii and iv
 - c) ii
 - d) i and ii
- (2)

The following set of facts is relevant to question 9 and 10

You are the executor of an estate in which the deceased (single male) died on the 2nd of April 2015. One of the assets in the estate is the deceased's residence in which he resided until date of death. The following factors apply:

- The deceased purchased the subject property on the 1st of March 2009 for R5,000,000.00.
- The property was valued as at date of death at R8,000,000.00.
- The deceased expended R1,000,000.00 on general maintenance to the property since he purchased same.
- Assume the deceased pays income tax at the maximum marginal rate.

Question 9

What is the capital gain for estate purposes?

- a) R1,000,000.00
- b) R700,000.00
- c) R1,300,000.00
- d) R3,000,000.00 (2)

Question 10

Calculate the amount of tax attributable to the overall tax liability of the estate resulting from the property held as at date of death?

- a) R1,050,000.00
 - b) R93,100.00
 - c) R95,550.00
 - d) R85,300.00 (2)
- [20]

SECTION B

QUESTION 1

John Doe died intestate on 12 February 2015. He is survived by the following family members:

- Debbie Diamon-Doe, his wife;
- PJ Sparx (born Doe), his daughter;
- Rocco Doe (born Sefridi), his adopted son (major)

The estate consists of the following assets:

- Portion 1 of the Farm "Ecstasy", valued at R500,000.00;
- Movables, being an assortment of furniture and other personal effects, valued at R50,000.00;
- Cash: R300,000.00;
- Shares valued at R250,000.00;
- Policy payable outside the ambit of the administration of the estate to his wife, Debbie: R200,000.00.

Assume that the liabilities and administration expenses (including Master's fees and the executor's remuneration) amount to R50,000.00. You must assume that Rocco wishes to continue farming after his father's death and the heirs entered into a redistribution agreement to give effect thereto. In terms of the redistribution agreement, Rocco agrees to introduce R150,000.00 into the estate. It is also assumed that the redistribution agreement makes provision that the surviving spouse retains the household furniture, personal effects and shares. Incorporate into the distribution account the relevant sections of applicable law which gives rise to the distribution to each beneficiary.

- 1.1 Draft the recapitulation statement as well as the distribution account in John Doe's estate. (30 x ½ = 15)
- 1.2 As a separate answer, calculate the Master's fees and executor's remuneration based on the values given above (*show calculations*). (2)
- [17]**

QUESTION 2

You have been appointed as executor of a deceased estate. Following the placing of the notice for debtors and creditors in terms of Section 29 of the Administration of Estates Act, a creditor submits a claim for a substantial amount of money against the estate in respect of a purported loan made to the deceased. You have not yet compiled the Liquidation and Distribution Account. However, the creditor is unable to provide any substantiation for his claim. He states that the loan was made in cash and that there is therefore no voucher / agreement which he can lodge to substantiate the claim. The deceased's family is adamant that no such loan was ever made to the deceased and that the claim has been fabricated.

- 3.1 Explain the procedures you would follow in terms of the Administration of Estates Act in order to either dispute or recognise the claim (4)
- 3.2 What procedures could the creditor follow should the claim be disputed by the executor and consequently be omitted from the estate account? (4)
- [8]**

QUESTION 4

In determining who would be regarded as a spouse in either testate or intestate succession, would the concept of "spouse" include the spouse of a marriage by Muslim rights which is factually monogamous? Explain and motivate your answer. **[5]**

(Total 50 Marks)