# Unit 3: accounting for estates and trusts

**3.1 introduction**

Estate accounting is concerned with accounting for the administration and distribution of the decedent’s property. In effect, this unit explores the legal and accounting aspects of estate administration and trust.

**3.2 legal aspects of estate administration**

According to Oxford current English dictionary, estate refers to person’s assets and liabilities at death. The estates of deceased persons (decedents), or missing person should be administered distributed, and accounted by certain laws. The deceased person may or may not leave his will about the estates.

If a person died with a valid will, he/she is considered to have died testate. This person is called testator.

The disposition of such person’s real and personal property is governed by the will of the testator.

On the other hand, a person may not leave his will in part/wholly about the real and personal proprieties. He/she is considered to have died (in testate). In this case, the distribution of such person is governed by the provisions of certain laws (laws of intestacy).

The administration of estate involves marshaling the estate’s assets, paying the debts of the decedent, and the distribution of the remaining in accordance with the testator’s wishes or the laws of intestacy. If the deceased left the will, the validity of the will should be validated. The process by which the validity of a will is established is called probating the will. Once a will has been admitted to probate, the court will proceed to appoint a personal representative of the deceased whose function is to administer the estate. This person is called an executor (executrix). An executor is a male fiduciary named in the will be the decedent to administer the estate. An executrix is a female fiduciary named in the will of the decedent to administer the estate.

If the decreased dies intestate, the court will appoint a personal representative who can administer the estate. This person is called an administrator (adiminstiratrix). An administrator is a male fiduciary appointed by a court to administer the estate of an in testate decedent. An administratrix is a female fiduciary appointed by a court to administer the estate of an intestate decedent. The appointed person is issued letters of administration as evidence of that individual’s authority to act as a fiduciary to administer the estate of the intestate decedent.

Once appointed, the personal representative will take the possession and control of the decedent’s property. If it is a business enterprise, the representative may continue to operate a business for some time (no longer than four months in USA) with the specified period (three months in USA), the personal representative must submit to the court an inventory of property owned by the decedent on the date of death. He/she also submits a list of any leins that exist against the property. If additional assets of the decedent are discovered after the filing of the inventory with the court, supplementary inventory reports must be filed with the court.

## Claims against the estate

Once appointed, the representative must give public notice in a newspaper of general circulation at sometime interval. The purpose of the notice is to request that those who have claims against the estate present them within the specified time, or be forever barred from asserting such claims.

Some allowances and exemptions precede all claims against estate. These are described as follows:

***1. Homestead allowance***

It refers to an allowance of certain amount ($500 in USA) to a surviving spouse or surviving minor children of the decedent. This allowance is additional to any other share of the estate that passes to the spouse or children by the will.

***2. Family allowance***

It refers to a reasonable cash allowance (not to exceed $6000 for the 1st 12 months after death in USA) to the decedent’s surviving spouse and dependent children. Except homestead allowance, family allowance has priority over all claims against the estate.

***3. Exempt property***

It is a decedent’s household furnishings, automobile and other personal effects up to a value of certain amount ($3500 in USA) and not available to creditors of the estate to the surviving spouse and children.

After the above allowances are excluded, the representative pays in the claims in the following order:

1. The expense of administering the estate
2. The funeral expense as well as the hospital and medical expense of the decedent’s last illness.
3. Debts and taxes that have preference under federal or state laws.
4. All remaining claims

## The settlement of an estate

Once the claims against the estate have been established and paid, the personal representative has the duty to distribute the remaining assets of the estate to persons entitled to it.

## Distribution of Intestate

When a person has died intestate, his/her estate will be distributed in accordance with the applicable law. This is generally distributed to a spouse or blood relative. Real property is distributed to heirs under the laws of the state where the property is located (in USA). Personal property is distributed to next of kin under the laws of the state in which the decedent was domiciled.

## Distribution of Testate

If a person dies testate, the distribution of the decedent’s property is mostly governed by the terms of the will. In such a situation, the gift of real property is called a devise. The recipient (beneficiary) is called a devisee. Testamentary gifts of personal property are called bequests or legacies. The recipient (beneficiary) is called legatee.

**3.3 the classification of legacies**

As defined above, legacy refers to the testamentary gifts of personal property. There are various types of legacies. They are described below:

**a. A specific legacy**

It is a gift of personal property specifically identified in the will such as a specific piece of Jewelry.

**b. A demonstrative legacy**

It is a testamentary gift payable out of a source specified in the will such as a specific amount of money to be paid out of a specific bank account or the proceeds from a specific insurance policy.

**c. A general legacy**

It is a gift of an indicated amount of money or quantity of something without designation as to source.

**d. Residual legacy**

It is a testamentary gift of property remaining in an estate after all debts have been satisfied and all other legacies have been distributed, or otherwise provided for.

**3.4 accounting aspects of estate administration**

Facilitating the reporting by the personal representative, called fiduciary to the court is the major purpose of estate accounting. The reporting involves two aspects. There are:

***1. Accountability***

Accountability emphasizes that the personal representative is responsible for the assets of the deceased and for their administration and disposition. In this case, estate accounting reflects the assets for which the fiduciary is charged with responsibility and the distributions and payments to creditors and beneficiaries. The fiduciary is credited with the distributions and payments to creditors and beneficiaries.

**2. The distinction between principal and income**

The distinction between principal and income is the basic to estate accounting. Principal, also called corpus, is defined as the property set aside by the owner (or the person legally entitled to do so) so that it is held in trust for eventual delivery to remainderman. Remainderman is a person named to receive the principal of an estate at the conclusion of the income beneficiary’s interest. Principal consists of the net assets of the estate on the date of death.

Net Assets = Gross Assets – Liabilities

Principal includes

* + Proceeds of insurance on property forming part of the principal
  + Stock dividends and liquidating corporate distributions
  + Rents or other types of revenues which already accrued at the date of death of the testator
  + All proceeds from the sale or redemption of bonds
  + Cash dividends declared prior to a decedent’s death.

Charges against estate principal include:

* + All expenses incurred in connection with the settlement of an estate. These include funeral expenses, debts, estate taxes, interest on taxes, penalties on taxes, and family allowances.
  + Part of court costs and accountant’s fees, attorneys’ fees, personal representatives fees, and trustees’ fees. The remaining part of these costs should be charged against income.
  + Costs incurred in preparing principal property for sale or rent.
  + Cost of investing and reinvesting principal assets
  + Major repairs to principal assets
  + Income taxes on receipts or gains allocable to principal
  + Rental expenses payable at the date of death of the decedent.

## Income

Income is defined as the return in money, or property derived from the use of principal. Income represents the earnings on the net assets of the estate. Income includes

* + Rent
  + Interest
  + Cash dividend
  + Receipts from business and farming operations
  + Any revenue earned during the administration of a decedent’s estate.

Income may be charged with the following items:

* + Ordinary expenses incurred in the management and preservation of estate or trust property. This includes regularly recurring taxes assessed on the principal
  + Water charges
  + Insurance premiums
  + Interest
  + Ordinary repairs
  + Depletion and depreciation depending on the expressed intention of the testator with respect to the preservation of the principal of the estate
  + Expenditures required to preserve the normal operating efficiency of depreciable assets.

Depending on the testator’s will, the income of the estate (or a portion of it) accrues for the benefit of one party for a stipulated period of time. The party who is entitled for the income of the estate is called income beneficiary for a limited period of time after which the principal is to be distributed to another party, called remainderman. Remainderman was defined earlier. To illustrate the difference between income beneficiary and remainderman, assume that Ato Bulcha has a business enterprise called Bulcha Company. W/ro Biftu is the spouse of Ato Bulcha. Ato Bulcha has also three children. Assume further that Ato Bulcha has died on May 10,2004, at which time the net asset of his business is Br. 200,000. Before his death, he expressed that income from his business is to be used by his spouse, and after her death the Br. 200,000 would be used by his children.

From the above description, the Br. 200,000 represents the principal. W/ro Biftu is called income beneficiary, Ato Bulcha’s children are called remaindermen.

**3.5 accounting and reporting for estates**

As indicated earlier, the major focus of estate accounting is on the accountability for estate assets and for their proper administration and distribution. Therefore, regarding fiduciaries, the fundamental accounting equation is shown below:

Assets = Accountability

The accounts are primarily designed to maintain the distinction between principal (capital, or corpus), and income.

**3.5.1 Accounts relating to principal**

The following accounts are used in relation to principal

***1. Individual asset accounts***

The accounting for an estate begins when the fiduciary files an inventory of the decedent’s property with the court. At that time each asset account is debited at the asset’s fair market value. For example, if the decedent has cash of Br. 10,000 and inventory with a market value of Br. 15000 on the date of death, cash account is debited for Br. 10,000, and inventory account is debited for Br. 15,000.

***2. Estate principal account***

Estate principal account is credited when asset accounts are debited. In the above example, estate capital account is credited for Br. 25,000 (i.e 10,000 Br. 15,000 – 25,000) if the decedent had no liability. Estate principal account is the basic equity of the estate.

***3. Assets Subsequently Discovered account***

Assets Subsequently Discovered account is used to record assets that were not inventoried of the date of death of the estate. This account is credited when the market value of the asset discovered is debited to an appropriate asset account.

***4. Gain (loss) on realization***

This account is used to record any gain or loss upon the disposal of the deceased person’s assets. Loss on realization account is debited if loss arises on disposal of assets. On the other hand, if the disposal of assets results in gain, gain on realization account is credited.

***5. Debts of Decedent Paid account***

This account is used by the personal representative to indicate reduction of accountability for estate assets in the form of payment of debts and legacies. Legacy refers to a testamentary gift of personal property.

**3.5.2 Accounts relating to income**

The following accounts may be used in relation to income:

***1. Estate Income account***

Estate Income account is used to record income collections.

***2. Expense accounts***

They are used to record expenses allocable against the interests of income beneficiaries.

***3. Distributions to Income Beneficiaries accounts***

It is used to record the distribution of income to income beneficiary.

**3.5.3 Reporting for estates**

The personal representative is required to prepare reports for estates and submits to the court. He/she is required to prepare two types of reports. There are:

1. Charge and discharge statement - principal
2. Charge and discharge statement – income

## Illustration for Estate Accounting

Assume that Ato Tadege died testate on April 5, 2003. His estate consisted of the following as prepared by the executor on April 27, 2003.

Cash in bank Br. 90,000

Household Effects 20,000

Investment in Dashen bank stock 50,000

Investment in government bonds 60,000

Dividend declared on April 2, 2003

On Dashen Bank stock 5,000

Accrued interest on government bonds 8,000

According to the terms of the will, Ato Kassa Tadege is appointed to be executor. This will also provided that general legacies of Br. 7000 (in cash) be paid to Meskerm (Decedent’s grand daughter), and the decedent’s household effects to go to Ato Kassa Tadege. After payments of debts and proper charges and distribution of legacies, the remainder of the estate property will be distributed to Ato Kassa Tadege.

The following transactions and events occurred relating to the estate.

1. Public notice was given that creditors of the estate should make a presentment of their claims.
2. Paid funeral expense Br. 3000
3. Collected interest on government bonds, Br. 8,000
4. Collected dividend on Dashen Bank stock, Br. 5000
5. Discovered rare coin collection and sold it for Br. 12000 cash.
6. Interest earned subsequent to date of death on cash in bank account Br. 2000.
7. Paid debts of the decedent Br. 6000
8. Paid attorney’s fees, Br. 2000, and other administration expenses of Br. 5000 of which Br. 1000 relate to income.
9. Sold Dashen Bank stock for Br. 48000.
10. Paid cash legacies provided for in the will
11. Deliver the household effects to Ato Kassa Tadege
12. Interest accrued on government bonds, Br. 1500
13. Distributed remaining assets to residuary beneficiaries

## Instructions

* 1. Prepare journal entries of the fiduciary
  2. Prepare charge and discharge statement of Ato Kassa Tadege as to principal and income as of Dec. 31, 2003.
  3. Prepare closing entries reflecting the distribution of remaining assets to residual beneficiaries and closing the fiduciary books.

## Solution

1. Journal entries

April 27, 2003 (To record inventory of Ato Tadege’s estate)

Cash – principal 90,000

Household effects 20,000

Investment in Dashen bank stock 50,000

Investment in government bonds 60,000

Dividend receivable 5,000

Interest receivable 8,000

Estate principal 233,000

1. No entry is needed

2. Funeral and administration expense 3000

Cash – principal 3000

To record funeral expense paid

3. Cash – principal 8000

Interest receivable 8000

To record interest collected on government bonds

4. Cash – principal 5000

Dividend receivable 5000

To record dividend collected on Dashen bank stock

5. Cash – principal 12000

Assets subsequently discovered 12000

To record the value of coins discovered

6. Cash – Income 2000

Estate income 2000

To record interest earned on bank account

7. Debts of decedent paid 6000

Cash-principal 6000

To record the payment of decedent’s debts

8. Funeral and administration expense 6000

Expenses-income 1000

Cash – principal 6000

Cash – income 1000

To record the payment of attorney’s fees and administration expense

9. Cash – principal 48,000

Loss on realization 2,000

Investment in Dashen bank stock 50,000

To record the disposal of Dashen bank stock

10. Legacy – Meskerem 7000

Cash-principal 7000

To record the payment of legacy

11. Legacy – Kassa 20,000

Household effects 20,000

To record the delivery of household effect as per will

12. Interest receivable 1500

Estate income 1500

To record accrued interest on government bonds

b. Charge and discharge statement – principal

Estate of Ato Tadege, Deceased

Kassa Tadege, Executor

Charge and Discharge statement

April 27 to December 31,2003

I charge myself with:

Assets per original inventory $ 233,000

Assets subsequently discovered 12,000

Total 245, 000

I credit myself with:

Loss on realization of assets 2000

Funeral and administration expenses 9000

Debts of decedent paid 6000

Legacies paid/distributed

Mesekerm (cash) 7000

Kassu (household effects) 20,000 44,000

Balance as to principal $201,000

Which consists of:

Cash 141,000

Investment in government bonds 60,000

$ 201,000

Cash – principal

Bal. 90,000 3000 (2)

(3) 8000 6000 (7)

(4) 5000 6000 (8)

(5) 12,000 7000 (10)

(9) 48,000

Bal. 141,000

Charge and discharge statement – income

Estate of Ato Tadege, Deceased

Kassa Tadege, Executor

April 27 to December 31, 2003

I charge myself with:

Income collected/Accrued@ $ 3500

I credit myself with:

Expenses chargeable to income 1000

Balance as to income $ 2500

Which consists of:

Cash $ 1000

Interest receivable (government bonds) 1500

$ 2500

Estate income cash – income expense – income

2000 (6) (6) 2000 1000 (8) (8) 1000

1500 (12) Ba. 1000

Bal. 3500

Interest – receivable

(12) 1500

c. Closing entries reflecting the distribution of estate assets.

13. Legacy – Kassa 201,000

Cash – principal 141,000

Investment in government bonds 60,000

To close the distribution of residual assets to residuary beneficiary

14. Estate principal 233,000

Assets subsequently discovered 12,000

Loss on realization 2000

Debts of decedent paid 6000

Legacy – Meskerem 7000

Legacy – Kassa 221,000

Funeral & administration expenses 9000

To close open accounts as to estate principal

15. Distribution to Kassa 2500

Cash – income 1000

Interest receivable 1500

To record the distribution of remaining cash and interest receivable to income beneficiary.

16. Estate income 3500

Expense – income 1000

Distribution to income beneficiary – Kassa 2500

To close open accounts as to income.

### Check your progress

1. Mention accounts that are related to principal in estate accounting.
2. Mention accounts that are related to income in estate accounting.
3. What is the fundamental accounting equation for the representative in estate accounting?
4. What is the major focus of estate accounting?
5. Suppose that the personal representative has discovered undeposited cash after he has filed the decedent’s property with a court? What account is used to record the undeposited cash?
6. When the representative paid cash to decedent’s creditor’s, what account should be used to record?
7. What are the two major reports in estate accounting?
8. Ato Tulu died testate on January 13, 2004. His estate consists of the following:

Cash 40,000

Personal effects 20,000

Investment in AIB stock 90,000

House 100,000

The personal representative is Ato Wadajo

According to the terms of the will, personal effects were to be transferred to Ato Tulu’s Son-in-law (Chala) and the title to the house transferred to Tulu’s wife (Ayantu). All remaining assets were to be set up in trust for Ayantu. The following transactions occurred as listed below:

1. Discovered undeposited cash amounting, $ 15,000
2. Paid debts of decedent, $ 25,000
3. Dividends declared and collected on AIB common stock, $ 8000.
4. Sold half of the common stock for $ 48,000.
5. Paid funereal and administrative expense, of $ 19,000, of which $ 3000 should be charged against income.
6. Distributed legacies according to the terms of the will.

**Required:** prepare

* 1. Journal entries to record the transactions
  2. Prepare a charge and discharge statement
  3. Prepare journal entries to transfer to trust
  4. Prepare the journal entries to close the books

**3.6 legal and accounting aspects of trusts**

## Estate administration Vs Trust administration

Estate administration is generally a short-term process that aims at the expeditious distribution of estate assets. On the other hand, trust administration consists of the prudent management of funds over longer period of time.

A trust may be created by a living grantor who transfer property for the benefit of another person (beneficiary) to a trustee. The trustee is responsible to hold assets for the beneficiary. The income from a trust is ordinarily distributed periodically to an income beneficiary. The principal of the trust ultimately goes to a remainderman. The income beneficiary and the remainderman may be the same person.

The trust may be testate or instate. When a trust is created by a will, it is called a testamentary trust.

## Trust accounting

The accounting procedures for a trust are very similar to those of an estate. With respect to reporting, the trustee is required to fill an accounting with the court concerning events of the previous period, specifying the accounting period, and giving the names and addresses of the living beneficiaries. The trustee must give a statement of unpaid claims and reasons for non-payment within the reporting period. Besides, the trustee must render final accounting covering the period since the last intermediate accounting at the termination of the trust. He/she must also prepare the plan for the distribution of trust assets still on hand. To conclude, the function of the trustee is the administration of the trust, preservation of the assets, the discharging of liabilities, and the equitable distribution of principal and income to those entitled to them in accordance with applicable laws and the intent of legal requirements.

# 3.7 summary

The planning for and the administration of estates and trusts involves accounting skills, and knowledge of tax and other specialized areas of law. The focus of estate and trust accounting is not on compliance with generally accepted accounting principles, rather on specialized bookkeeping practices and accounting statements that aim at carrying out the intent of the law and the intent of those who leave estates or create trusts.

A decedent died with testate leaves a will directing the distribution and administration of his/her property. Whether the decedent had died testate or intestate, the administration of the estate is normally under the jurisdiction of a court handling probate matters. The court issues lesser of testamentary if the decedent died testate, and letters of administration if the decedent died intestate.

Claims against estate are in the order of allowances and exemptions (homestead allowance, family allowance, and exempt property) and followed by creditors.

If the estate is sufficient to liquidate all of the debts of the decedents with some estate property remaining, the fiduciary may proceed with the distribution of the estate’s real property and its personal property. The gift of real property is called a devise and the recipient is a devisee. A gift of personal property is called a bequest or legacy and the recipient is a legatee. A legacy may be any of the following:

1. Specific legacy – legacy specifically identified
2. Demonstrative legacy – a sum of money payable out of a particular bank account
3. General legacy – sum of money without naming the source of the funds
4. Residual legacy – balance in the estate after paying all debts and other legacies.

The fiduciary has to classify the estate assets in to principal and income because income beneficiary is different from principal beneficiary. Accounts used in principal accounting and income accounting are different. Ultimately two separate statements are prepared by the fiduciary – charge and discharge statement – principal, and charge and discharge statement – income.

Finally, the administration of trusts is similar to that of estates – the administrator of a trust is called a trustee and the recipient of a trust’s benefits is a beneficiary.

# 3.8 Answers to check your progress exercises

1. Individual assets account, estate principal, assets subsequently discovered, gain (loss) on realization, and debts of decedent paid.
2. Estate income, expense, and distribution to income beneficiary
3. Assets = Accountability
4. On the accountability for estate assets, their proper administration and distribution.
5. Assets subsequently discovered
6. Charge and discharge statement – principal, and charge and discharge statement – income
7. Debts of decedent paid.
8. a) Journal entries

Cash 40,000

Personal effects 20,000

Investment in AIB stock 90,000

House 100,000

Estate principal 250,000

1. Assets subsequently discovered 15,000

Estate principal 15,000

2. Debts of decedent paid 25,000

Cash – principal 25,000

3. Cash – income 8000

Estate income 8000

4. Cash – principal 48,000

Investment in AIB stock 45,000

Gain on realization 3,000

5. Funeral & administrative expenses 16,000

Expenses – income 3000

Cash – principal 16,000

Cash – income 3,000

6. Legacy – Tulu 20,000

Legacy – Ayantu 100,000

Personal effects 20,000

House 100,000

b. Charge and discharge statement

Estate of Ato Tulu, Decedent

Ato Wadajo, personal representative

Charge and discharge statement (principal)

I charge myself with:

Assets per original inventory 250,000

Gain on realization 3000

Assets subsequently discovered 15,000

Total 268,000

I credit myself with:

Funeral and administrative expenses 16,000

Debts of decedent paid 25,000

Legacies paid/distributed:

Tulu (effects) 20,000

Ayantu (House) 100,000 161,000

Balance as to principal 107,000

Which consists of

Cash 47,000

Investment in AIB common stock 45,000

## 3.9 model examination Questions

1. The administration of estate involves:
   1. Marshalling an estate’s assets
   2. Paying the debts of the decedent
   3. The distribution of estate asset to creditors
   4. The distribution of estate asset to the beneficiaries
   5. All of the above
2. A male fiduciary appointed by a court to administer the estate of an interstate decedent is:
   1. Executor d. trustee
   2. Bequest e. b and c
   3. Administrator
3. A principal account that is used to record assets of an estate not inventoried as of the date of death but discovered at a later date is:
   1. Debts of decedents paid
   2. Income
   3. Estate principal
   4. Assets subsequently discovered
   5. None of the above
4. A decedent is:
   1. A devisee c. deceased person e. legatee
   2. Executor d. remainderman
5. The testamentary gift of real estate is:
   1. Decedent c. legacy e. a and c
   2. Devise d. remainderman
6. A testamentary gift of an amount of money without designation is:
   1. Specific legacy d. residual legacy
   2. Demonstrative legacy e. bequest
   3. General legacy
7. A testamentary gift payable out of a source specified in the will is:
   1. General legacy d. specific legacy
   2. Demonstrative legacy e. none
   3. Residual legacy
8. The recipient of a testamentary gift of a personal property is:
   1. Advisee c. grantor e. decedent
   2. Legatee d. trustee
9. The recipient of a testamentary gift of real property is:
   1. Grantor c. advisee d. decedent
   2. Trustee e. legatee
10. A person named to receive the principal of an estate at the conclusion of the income beneficiaries interest is:
    1. Legatee c. personal representative
    2. Trustee d. remainderman e. income beneficiary
11. The status of a person who dies leaving a valid will is:
    1. Decedent c. intestate e. legatee
    2. Testate d. devisee
12. Which of the following account is not related to income in estate accounting?
    1. Estate income c. distribution to income beneficiaries
    2. Expense accounts d. debts of decedent paid
    3. c and d
13. In estate accounting, income includes:
    1. Interest on principal after death of decedent
    2. Cash dividends before death
    3. Rent income on the building of the decedent after death
    4. Proceed from disposal of decedent’s investment
    5. a and c
14. Creditors of the decedent have prior claim against the estate. True / False
15. If the decedent died intestate, the estate should be taken by the government. True/False

## Exercise

1. Ato Jagama died on August 24, 2004. The will named Sarecho as the executor of the estate. The executor prepares the following trial balance on December 5, 2004.

Serecho

Executor of the will of Jagama

Trial balance

December 5, 2004

Dr. Cr.

Cash – principal 55,000

Cash – income 2,400

Art collection 42,000

Personal effects 12,300

Bond holdings 90,000

Gold bullion 7,500

Assets discovered 12,200

Liabilities paid 16,400

Funeral & administrative exp. 4,500

Estate principal balance 215,500

Interest revenue 6,600

Expenses changeable to income 4,200

Total $ 234,300 $ 234,300

The estate principal balance of $ 215,500 represents the inventory of assets as of August 24,2004

**Required**

Prepare a charge and discharge statement for the estate of Jagama.

2. Ato Arega died on April 2, 2004. The will named Ato Belay as the executor of the estate, which consisted of the following.

Cash 80,000

Condominium apartment 92,000

Treasury Bills 10,000

Household effects 19,200

Automobile 6,000

Investment in common stock 52,000

The will instructed the executor to transfer household effects and the automobile to his son Tulu; to pay taxes, liabilities, & administrative expenses of the estate; and to transfer the remaining assets to a trust for the benefit of his son. Income from the estate and the trust is to be paid to the son (Tulu).

Transactions of the executor during the period of April 2 September 3,2004 are shown below:

1. Paid administrative expenses for the estate, Br. 6500
2. Paid debts of decedent, Br. 13,600
3. Sold half of the common stock for Br. 32,500
4. Received Br. 600 interest payment on Tresury Bills.
5. Received dividends on the remaining stock, Br. 2800
6. Transferred household effects and automobile to the son, Tulu.
7. Paid expenses chargeable to income, Br. 960
8. Distributed the income of the estate to Tulu.
9. Paid estate taxes, Br. 34,300.

**Required**. Prepare:

* 1. Journal entries on the books of the executor to record the transactions including the opening entry and to close the accounting records for the estate on September 2, 2004.
  2. A charge and discharge statement prior to the transfer of estate assets to the trust.
  3. The journal entry to establish the accounting records for the trust.