

**Thursday 17 January 2013 – Morning**

**A2 GCE APPLIED BUSINESS**

**F256/01 Business Law**

Candidates answer on the Question Paper.

**OCR supplied materials:**

None

**Other materials required:**

None

**Duration: 2 hours**



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| Candidate<br>forename |  | Candidate<br>surname |  |
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| Centre number |  |  |  |  |  | Candidate number |  |  |  |  |
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**INSTRUCTIONS TO CANDIDATES**

- Write your name, centre number and candidate number in the boxes above. Please write clearly and in capital letters.
- Use black ink. HB pencil may be used for graphs and diagrams only.
- Answer **all** the questions.
- Read each question carefully. Make sure you know what you have to do before starting your answer.
- Write your answer to each question in the space provided. Additional paper may be used if necessary but you must clearly show your candidate number, centre number and question number(s).
- Do **not** write in the bar codes.

**INFORMATION FOR CANDIDATES**

- The number of marks is given in brackets [ ] at the end of each question or part question.
- The total number of marks for this paper is **100**.
- Your Quality of Written Communication will be assessed in questions marked with an asterisk (\*).
- This document consists of **20** pages. Any blank pages are indicated.

**Text 1**

Monday 5 October 2010 was a day Tom Luiten, a sole trader, would never forget. It was the day that he took delivery of his ‘dream’ machine – a brand new, top-of-the-range, Harley-Davidson motorcycle. He could scarcely believe that the ice cream parlour he had opened just two years previously, located close to the beach in a popular coastal resort, had made so much profit.

Tom, a natural inventor with an enquiring mind, had not liked school. He left as soon as he could, gaining just one GCSE. It was whilst doing his coursework for this Food Technology GCSE that Tom realised that freshly made pouring custard, when combined with liquid nitrogen, instantly freezes and creates ice cream. Tom had discovered a new method of making ice cream – a fun and very exciting way to make ice cream. As soon as he turned 18, Tom obtained a mortgage from his bank to buy a property, with his parents acting as guarantors. Tom opened *Fun Ice* – an ice cream parlour with a difference.

In the early days *Fun Ice* made and sold just three flavours of rich, smooth ice cream – Madagascan vanilla, Belgian chocolate and Brazilian coffee. Tom provided a small seating area for customers who wished to eat their ice cream within the parlour. The ice cream was, and still is to this day, served in waxed tubs, and accompanied by a plastic spoon. Two sizes of tub are available – medium and large (designed to contain 150 and 225 grams of ice cream respectively). Customers select their size of tub and flavour and watch with amazement as the liquid nitrogen does its work; they then move on to the topping station to finish their creation. The topping station provides chocolate flakes, nuts and flavoured sauces.

Tom built up a strong brand image for *Fun Ice* using a colour scheme based on the three original flavours of ice cream which it sold. The ice cream tubs and spoons, as well as the parlour itself, are all decorated in these three colours. The business logo is a picture of a large *Fun Ice* tub filled to the brim with ice cream and toppings. Tom hopes one day to invent a liquid nitrogen ice cream maker for home use. The ice cream maker would be branded using the parlour’s logo and colour scheme, and supplied with distinctive *Fun Ice* tubs and spoons.

**1 Refer to Text 1.**

**(a)** What is a sole trader?

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.....  
..... [2]

**(b)** Sole traders pay tax on their profits.

State the name of this tax.

..... [1]



(f) Explain **one** benefit to *Fun Ice* of trade mark legislation.

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.....  
..... [2]

(g) Explain **one** provision of the Trade Descriptions Act with which *Fun Ice* must comply.

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..... [2]

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**Question 2 begins on page 6**

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**Text 2**

*Fun Ice* is open Tuesday to Sunday from 11 am to 5 pm throughout the year (and often later in peak season). Each morning the supply of tubs needs to be replenished, the topping station filled and fresh batches of pouring custard made. In the evenings the kitchen, the topping station and the seating area all need to be fully cleaned in accordance with hygiene regulations.

In June 2011 Tom put a lot of thought into an offer he received from Commercial Clean plc to clean the ice cream parlour for him at the end of each working day. Commercial Clean plc, a large multi-national organisation, had a reputation for fast and reliable service.

Commercial Clean plc would provide one cleaner, and all cleaning equipment, for two hours immediately after close of business, Tuesday to Sunday. Payment would be required in two parts: a standard fee (payable weekly in advance) and an additional 'dirty building charge' dependent on how dirty the cleaner judges the premises to be (payable on a daily basis).

The key conditions of the proposed service contract were:

- *Fun Ice* must purchase all cleaning fluids from Commercial Clean plc
- *Fun Ice* must take out Commercial Clean plc approved insurance
- each day, before the cleaner arrives, Tom must ensure that every machine/container is emptied and that all chairs are stacked on top of the tables
- Tom must be present at the end of cleaning each evening to inspect the work done and pay the 'dirty building charge'
- Tom must dispose of old cleaning equipment and waste
- the minimum length of the contract is one year, with the option to renew on an annual basis.

Although some of the conditions seemed a little restrictive, Tom gave the proposed service contract some serious consideration because he was desperate to get out of the building each evening. He just wanted to ride his Harley-Davidson in the evenings, now that the summer had arrived and the views of the coastline were breathtaking.

**2 Refer to Text 2.**

(a) In order to make a contract legally binding the following elements are essential. In the context of contract law, explain what is meant by:

- an offer

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- capacity

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- consideration.

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[6]

(b) State **two** implied terms which the Supply of Goods and Services Act would impose on the proposed service contract between *Fun Ice* and Commercial Clean plc.

1 .....

2 .....

[2]

(c) Explain **four** ways in which a contract, such as the one between *Fun Ice* and Commercial Clean plc, could be terminated.

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[8]

(d) Evaluate the benefits and drawbacks to *Fun Ice* of accepting the proposed service contract with Commercial Clean plc. [14]

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**Text 4**

Not surprisingly, when the contract with Commercial Clean plc came to an end, Tom did not renew it. Unwilling, on a daily basis, to clean the parlour himself he contracted out the work to a small, locally based cleaning firm. This new contract ran smoothly.

During *Fun Ice's* fifth year of trading Tom created some extra flavours. Special flavours, such as toffee apple ice cream for Halloween and plum pudding ice cream for Christmas, proved very popular. Sales were boosted, especially during the off-peak season, and profits continued to rise. Despite struggling to find the time to create new flavours, Tom's thoughts turned to the expansion of *Fun Ice*.

Tom planned to open five more *Fun Ice* parlours in nearby seaside towns. He knew that this would mean buying more property and hiring staff. To Tom more parlours meant more profit, and more profit meant being able to afford an executive car to complement his beloved Harley-Davidson.

Tom decided that he could not expand the business on his own. If *Fun Ice* was to grow he would have to change the legal status of the business. Tom searched the internet for advice about business expansion but the wealth of information was confusing. Tom wished that he had paid more attention at school, especially in mathematics lessons. He wondered whether *Fun Ice* should become a partnership or a private limited company.

**4 Refer to Text 4.**

(a) What is a Deed of Partnership?

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..... [2]

(b) Outline **three** items which need to be included in the:

(i) Memorandum of Association

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2 .....  
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