

**ADVANCED GCE
APPLIED BUSINESS**
Unit 17: Business Law

F256

* C U P / T 6 5 2 8 8 *



Candidates answer on the question paper

OCR Supplied Materials:

None

Other Materials Required:

None

**Friday 12 June 2009
Morning**

Duration: 2 hours



| | | | | | | | | | | | |
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| Candidate Forename | | | | | | Candidate Surname | | | | | |
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INSTRUCTIONS TO CANDIDATES

- Write your name clearly in capital letters, your Centre Number and Candidate Number in the boxes above.
- Use black ink. Pencil may be used for graphs and diagrams only.
- Read each question carefully and make sure that you know what you have to do before starting your answer.
- Answer **all** the questions.
- Do **not** write in the bar codes.
- Write your answer to each question in the space provided.

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**.
- The quality of written communication will be taken into account in marking your answer to the question marked with an asterisk (*).
- This document consists of **16** pages. Any blank pages are indicated.

| Examiner's Use Only: | | | |
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Text 1

Bradley Clarke trained as a hairdresser at a London salon, quickly developing into a creative and skilled stylist. He soon built up a reputation for devising fashionable and flattering hairstyles for both men and women. In 2004, after managing to secure a modest bank loan, he set up Headlines. Operating as a sole trader, Bradley became a mobile hairdresser visiting his clients in their home, offering a high quality personal service. He rapidly developed a large client base and, as a consequence, a very profitable business. Bradley had an excellent relationship with his supplier of hair products, business graduate Jagdeep Bhogal. Jagdeep was a salesperson for the area which covered the small but affluent city where Bradley based his operation. They decided to form a partnership which enabled them to combine Jagdeep's connections and business skills with Bradley's creative talent. Bradley's desire to run his own salon was very strong as he wanted to make a name for himself in the industry. He became very excited when his bank manager agreed to provide enough finance to partly fund the purchase of suitable high street premises.

The rest of the finance was raised from Bradley and Jagdeep's own investments of £15,000 each which enabled them to furnish the salon with modern and stylish fixtures and fittings. Jagdeep left her job in order to help manage the business side of the salon. They started trading just before Christmas 2005 under the name The Headlines Partnership and quickly built up a loyal client base. Jagdeep had known at the start of the partnership that it was important to be careful with financial borrowing as the partnership would have unlimited liability, and she had explained carefully to Bradley the importance of having a Deed of Partnership.

The partnership was a great success and, at the start of 2008, after two successful years of trading, Bradley and Jagdeep decided to expand their business and set up another salon. They agreed to change the legal status of the business to a private limited company and the name of the business became *Headlines Ltd (HL Ltd)*.

Refer to Text 1.

- 1 (a) State four legal provisions of the Partnership Act 1890.**

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[4]

- (b) (i) Explain why Bradley and Jagdeep created a Deed of Partnership.

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- (ii) Explain **four** legal statements which it would be appropriate to include in The Headlines Partnership's Deed of Partnership.

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- (c) Explain how **unlimited liability** may affect The Headlines Partnership.

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[3]

- (d) State the main principle of The Limited Partnership Act 1907.

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[1]

- (e*) Evaluate Bradley and Jagdeep's decision to change the legal status of their business from a partnership to a private limited company.

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[Total: 34]

Text 2

Bradley and Jagdeep's decision to expand appeared to be the correct one as profits continued to increase. They promoted a loyal employee, Mike Winslade, to manage the existing salon, and spent their time making sure their new salon, which traded under the same name, *HL Ltd*, operated efficiently. However, after six months certain problems became apparent. Mike was obviously not prepared for his promotion, as he found it a struggle to run the whole salon, in terms of both the business side and the styling. He often argued with Bradley and Jagdeep and they became really unhappy about his progress. Mike tried hard, but a job previously performed by two people was now done by one.

The situation worsened when Mike was so busy one-day he failed to wash bleach off a client's hair at the correct time and this caused hair and skin damage. With agreement from Bradley and Jagdeep, Mike also employed three new trainees, but after three months they were complaining of unfair treatment as they had not received a contract of employment, were being asked to work very long hours without a break, and seemed to be receiving different rates of pay. If these problems were not bad enough, Bradley and Jagdeep believed they had no option but to dismiss Mike after he turned up late to work for the third time in three days. Important clients ended up waiting for the salon to open, only to be told that they needed to rearrange appointments at less convenient times. Bradley was very concerned that *HL Ltd*'s excellent reputation might be tarnished if Mike continued in his post and, therefore, asked him to leave.

Refer to Text 2.

- 2 (a) What is meant by the term 'common law'?

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- (b) Explain how the concept of vicarious liability may apply to *HL Ltd*.

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- (c) Explain **three** reasons why it is important for *HL Ltd* to draw up a contract of employment for employees such as Mike.

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- (d) Evaluate the extent to which Mike's dismissal might be unfair.

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[Total: 29]

Text 3

By January 2009, *HL Ltd* had overcome its short-term problems and both salons were trading successfully. In fact two other firms from a nearby town were contracted to trade under *HL Ltd's* name in a franchise arrangement. Jagdeep arranged the terms of the franchise contract and made sure that *HL Ltd's* quality standards were upheld. The franchises proved to be an inexpensive way of expanding the business and increasing profitability, without the teething problems encountered when setting up the second salon.

However, in February 2009 it was found that the original salon premises needed rewiring as the electrics were faulty. Jagdeep, after being recommended to a reputable local electrician, hired John Kerry to complete the work. Bradley and Jagdeep decided to close the premises for a week while the work was completed, dividing appointments amongst the other salons. Unfortunately, the electrical workmanship was less than satisfactory. The job was one week late, the décor had been damaged in the process of rewiring, and a number of the fittings did not work adequately. Jagdeep decided to take action against John Kerry by claiming damages through court action based on the Supply of Goods and Services Act. Bradley was unsure that this was such a good idea.

Refer to Text 3.

- 3 (a)** What is the difference between **express** and **implied** terms in relation to contracts?

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- (b)** Outline **four** legal requirements needed to make the contract between *HL Ltd* and John Kerry valid.

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- (c) Evaluate the advantages and disadvantages to *HL Ltd* of taking court action based on the Supply of Goods and Services Act.

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[Total: 25]
Turn over

Text 4

Eventually, problems with the original salon's rewiring were resolved and *HL Ltd* continued to trade successfully. In May 2009, Bradley and Jagdeep had to deal with two major issues. They had kept their entire client and employee records on their computer system and were recently offered a substantial sum for the details from a business associate but were unsure how to proceed. Bradley and Jagdeep were also deeply concerned to find out that Hair Salon Products Ltd, now *HL Ltd*'s main supplier, was in the process of being liquidated.

Refer to Text 4.

- 4 (a) Explain **two** ways in which the Data Protection Act may impact on *HL Ltd*.

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- (b) Explain **four** steps which must be carried out if a company such as Hair Salon Products Ltd is compulsorily wound up.

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