

ADVANCED GCE
APPLIED BUSINESS
Business Law

F256

Candidates answer on the Question Paper

OCR Supplied Materials:
None

Other Materials Required:
None

Friday 11 June 2010
Afternoon

Duration: 2 hours



Candidate Forename		Candidate Surname	
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Centre Number						Candidate Number				
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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. Additional paper may be used if necessary but you must clearly show your Candidate Number, Centre Number and question number(s).

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 your Written Communication will be taken into account when marking your answer to the question marked with an asterisk (*).
- This document consists of **16** pages. Any blank pages are indicated.

Text 1

In 1979 Martin Cargill and his wife, Dorothy, set up their own business, *Cargill Creations*, trading as a business partnership. From their sitting room in Bromsgrove, the couple made a range of high quality goods such as dog leads, animal collars, horse reins and riding saddles for supply to pet shops and equestrian centres. The business flourished and within 10 years Martin and Dorothy were able to buy a small factory unit on the outskirts of the town.

The factory unit gave *Cargill Creations* the space to expand. Year on year new products, worked mainly in leather, were added to the range. Products such as leather key fobs and passport wallets proved very popular; *Cargill Creations* negotiated contracts to supply petrol forecourts and airport terminals up and down the land. In fact, so popular were *Cargill Creations'* products that, after 25 years of trading, Martin and Dorothy began to struggle to meet demand. They longed for their only son, Ian, to join them in the family business.

1 Refer to Text 1.

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

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- [4]

(b) Martin and Dorothy drew up a Deed of Partnership.

Explain **one** benefit to Martin and Dorothy of drawing up a Deed of Partnership.

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- [2]

(c) Explain why unlimited liability might be of concern to Martin and Dorothy.

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(d) Explain **four** elements required to make contracts between *Cargill Creations* and its customers legally enforceable.

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(e) As *Cargill Creations* was struggling to keep up with demand, an order for 200 passport wallets was delivered one month late to a retailer in a London airport terminal.

Explain **two** ways in which *Cargill Creations* could resolve this breach of contract.

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[Total: 21]

Text 2

In the summer of 2006 Ian, aged 23, graduated from university with a degree in Information Technology. Much to his parents' relief, Ian joined the business as an equal partner later that year. Ian quickly learnt the skills of the trade and was a great help in getting the orders out on time.

However, from the moment Ian became a partner he had plans. Ian wanted to introduce information technology into *Cargill Creations*. In particular, he wanted to design a website to sell goods directly to the public. Ian was convinced that there was a market for high quality personalised goods such as dog collars with the dog's name on and key fobs with initials. Customers would order and pay online. The item would then be handmade at *Cargill Creations* and mailed out to customers within 48 hours. Furthermore, the customer database would contain personal data which could be used to send out mailshots advertising related products. When a new product was launched, emails could be sent.

Ian eventually persuaded his parents that *Cargill Creations* should, at least, trial Internet selling directly to the public. Computers were installed and, using his information technology skills, Ian set up and ran the website and customer database. Within two years Internet sales were outstripping all other sales combined. Ian felt proud; he had succeeded in taking the business in a new direction.

Ian's parents were not so happy. The new customers were remote and the goods had to be made on demand. The business relied on technology rather than gaining contracts through good relationships with clients. By the autumn of 2008, feeling ever more alienated from their own business and finding the working practices stressful, Martin and Dorothy thought about taking a step back from the business by becoming limited (silent) partners.

2 Refer to Text 2.

(a) In the context of the Data Protection Act, what is meant by personal data?

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- (ii) Rather than remaining as general partners in *Cargill Creations*, Martin and Dorothy are considering becoming limited (silent) partners.

Explain **two** benefits to Martin and Dorothy of taking this action.

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[Total: 23]

Text 3

Martin and Dorothy, however, put their decision on hold and the partnership continued as normal.

On 17 November 2008 Ian stayed at the factory long after his parents had finished for the night. Ian was working on a new idea he had had to combine mobile phone technology with *Cargill Creations'* key rings. Missing keys could easily be located by ringing their number! This 'key finder' idea needed further development but Ian thought he was onto a winner.

Whilst deep in thought, Ian heard a loud crash. He rushed outside to find three boys in *Cargill Creations'* back yard. Lying motionless, one of the boys had blood pouring from his head. Daniel, the injured boy, had tried to copy his friends in jumping down from the metal fence on to a water butt, but had missed his footing and slipped, banging his head on the side of an old rusty cutting machine dumped in the back yard. Annoyed by the intrusion, but concerned for the boy's welfare, Ian immediately rang 999 asking for an ambulance and the police.

Ian's parents found the incident very stressful indeed. They worried about the security of the factory with its 'high-tech' computers. They worried whether the law would make them liable for the injuries to Daniel. They worried whether Daniel would make a full recovery. When at last the hospital reported that Daniel would make a full recovery, they worried about a similar incident, only worse, happening in the future. Now in their late fifties, Ian's parents were traumatised by the incident. Abandoning any thoughts of becoming limited (silent) partners in *Cargill Creations*, Martin and Dorothy announced their intention to retire from the partnership at the end of the year. The partnership would have to be dissolved.

Ian knew that he could not run *Cargill Creations* on his own. Rather than look for new business partners he decided that, when the time came, he would simply employ a couple of production staff and operate *Cargill Creations* as a sole trader.

3 Refer to Text 3.

(a) (i) What is a patent?

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(ii) Explain **two** reasons why Ian should patent his 'key finder' idea.

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(b) Explain **two** differences between civil law and criminal law.

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(c) Explain whether the law relating to occupiers' liability would make *Cargill Creations* liable for the injury to Daniel.

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Text 4

At the end of 2008, Martin and Dorothy retired and the partnership was dissolved. Ian, now in sole charge, recruited Rhianna and Lucas, two local residents with textile qualifications, to help out in the factory. With his expert training, Ian was confident that Rhianna and Lucas would prove to be just as reliable and industrious as his parents once were.

Both employees were quick to learn and showed plenty of initiative and, at first, things went well. However, Ian began to spend more and more time off the factory floor updating the website or working on his 'key finder' idea. Increasingly, Rhianna and Lucas found themselves not only making the goods (the job for which they were hired) but also dealing with enquiries, processing the orders and handling complaints. Rhianna would have to answer the phone during her breaks and Lucas frequently got no lunch break at all. They regularly had to work 50 hours a week just to keep up with the demands placed upon them. Exhausted, Rhianna began to turn up late for work.

Late one afternoon, Rhianna, rushing to finish a job which Ian had insisted be completed that afternoon, snapped the blade on the new cutting machine. Rhianna did not report the broken blade to Ian as she knew it would mean staying late to finish off the order and her daughter needed collecting from the childminder within the hour. Instead Rhianna left early, collected her daughter and enjoyed her first evening off for weeks. The next day, on finding the order incomplete, Ian went mad. Ian yelled at Rhianna, in front of Lucas, accusing her of breaking the blade deliberately in order to leave early. Rhianna insisted that the blade had broken entirely by accident and, only because she was pushing the machine to its limit, rushing to get the order out to deadline. "If you turned up for work on time and spent less time texting your childminder to check on your daughter's welfare, you would have no need to rush", Ian shouted. When Ian threatened to deduct the cost of a new blade from her wages, Rhianna screamed. "That's it, I resign", she said. Rhianna picked up her mobile phone and walked out, intent on claiming for constructive dismissal.

4 Refer to Text 4.

(a) Explain **one** issue at *Cargill Creations* which appears to be in breach of working time regulations.

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(b) The Working Time Directive is an example of European Union law. Name **two** institutions involved in the creation of European Union law.

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