

Candidates answer on the question paper

Additional materials: No additional materials are required



Candidate
 Forename

Candidate
 Surname

Centre
 Number

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Candidate
 Number

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INSTRUCTIONS TO CANDIDATES

- Write your name in capital letters, your Centre Number and Candidate Number in the boxes above.
- Use blue or 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 answer space is available on the lined pages at the back of this booklet. Answers on these pages **must** be clearly numbered.

INFORMATION FOR CANDIDATES

- The number of marks for each question 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 (*).

FOR EXAMINER'S USE	
1	
2	
3	
4	
TOTAL	

This document consists of **13** printed pages, **2** lined paged and **1** blank page.

Text 1

Penny Rogers set up her bike shop, *Penny's Farthings (PF)*, as a sole trader in the spring of 2005 in the town of Bosgrove. PF stocks a range of bicycles – mountain, racing and road bikes, as well as hybrids, along with equipment and accessories – which Penny buys from a number of national suppliers. Penny finds it very difficult to stock a wide range of bikes because of the size of the premises and a lack of cash. She, therefore, often orders bikes straight from the manufacturers' catalogues.

Penny does most of the selling and ordering and gives customers advice. She has hired a part-time and somewhat unreliable employee, Mike Cash, to do the repairs and servicing work. It was with some relief to Penny that her brother, Clive, offered his services in the form of a partnership in early 2007. He is a keen cyclist and is so proficient with the technical side of bicycles that he built his own. While he was very keen to make a profit, Clive did, however, only want to work three days a week. Penny wanted to keep the business' catchy name. Besides, she still considered it 'her business'. She also wanted to be very clear on who was doing what from the outset. A partnership was formed, but very quickly PF became rather one-sided.

1 Refer to Text 1.

(a) Penny wanted to formalise the partnership by drawing up a Deed of Partnership.

(i) Explain why Penny might wish to do this.

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..... [2]

(ii) Explain **four** legal statements which should be included in PF's Deed of Partnership.

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(b) PF has **unlimited liability**. Why could this be a problem for Penny and Clive?

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..... [3]

(c) **Other than unlimited liability**, describe **three** legal provisions of the Partnership Act (1890).

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Text 2

PF, with additional finance from Clive, began to expand its range of bikes displayed. This meant buying more bikes from more manufacturers. Stocking enough bikes remained a problem and it was still usual for a customer to order and then wait one to two weeks for delivery. One of PF's suppliers had recently let it down badly. Contracted to deliver 12 mountain bikes to PF within 14 days, it had taken nearly two months. This meant a loss of reputation with the customer, Bosgrove Cycle Club (BCC), and, Penny was certain, constituted a breach of the contract she had signed with the supplier. Many of PF's customers, because of the expensive nature of the goods, paid on credit. BCC was one of these and had been on the verge of cancelling its order because of the very late delivery.

Penny thought it was a good idea to keep details about customers so that she could target them for repeat business, particularly organisations such as BCC. Eventually, Penny set up a database which recorded a whole mass of information. Every time a bike was sold, whether to an individual customer or a cycling organisation, more information was added. Within months the database was huge and growing, full of all sorts of personal customer information. PF now employed two assistants and both had access to this data. PF also had plans to employ more staff.

2 Refer to Text 2.

(a) PF's supplier was in breach of contract by delivering the bikes late. If Penny was to threaten legal action, explain **two** ways in which this situation could be resolved.

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- 2.
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(b) Explain **two** issues related to the Consumer Credit Act (1974) that PF must consider when it offers credit to customers.

- 1.
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- 2.
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.....[4]

(c) (i) Explain **three** ways in which PF could be affected by the Data Protection Acts (1984/98).

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..... [9]

(ii) Evaluate possible effects of the Data Protection Acts (1984/98) on PF as it tries to **expand further**.

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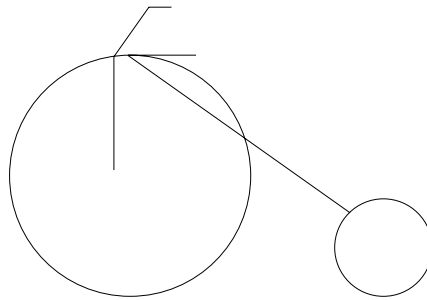
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Text 3

Clive had been experimenting with designs for a new hybrid bike when he hit on a design inspired by the name of the partnership. He had recently acquired an old circus unicycle which had one huge wheel. Within a week he had built a prototype 'retro penny farthing' (RPF) – a bike based on the Victorian model with a huge front wheel. Clive had merely intended to make it as a gimmick to put in the shop window, but after he and Penny had had an hour of great fun trying to ride it, they had an idea. Why not actually try and sell them? They could produce half a dozen and sell them in the shop. PF would get a huge profit as it would be the manufacturer. The RPF may even start off a local craze. With Christmas not far off, they could be the ideal present. Clive switched to full scale production for the next two weeks, assembling a range of bike parts into RPFs.



Incredibly, the six bikes sold within a week and the local press ran a great story about Bosgrove's Victorian heritage – with, of course, photographs of the RPF in action. Penny and Clive did not give a thought to the law as they launched their new product, but they soon would. The advertising slogan had boasted that the RPF was 'totally safe', unlike its Victorian predecessor, and 'would be a great bike for short, slow journeys such as getting around town'. It was neither, as a local historian, Tom Fuddle, found out to his cost. Proudly cycling on the pedestrianised high street, Tom found (just as he would have done 120 years ago) that these inventions are very difficult to control and maintain balance. Like the Victorian version, there are no proper brakes and at slow speeds they simply fall over. Tom duly toppled off his RPF and fell onto the lead guitarist of a Peruvian band busking outside a shop. Tom fractured his ribs on the, now broken, guitar. This prompted a complaint from another RPF owner who had also fallen off, she claimed, because of 'the unsafe design'.

3 Refer to Text 3.

(a) Describe **one** principle of the Consumer Protection Act (1987).

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(b) Part of the Consumer Protection Act (1987) originated as a European directive to ensure that UK law is aligned with EU law. Describe how EU legislation is created.

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Text 4

Before the Tom Fuddle issue, Penny had considered registering the RPF symbol (in the shape of the bike – **see Text 3**). After the accident there seemed no point and, disillusioned with the whole idea of running a business, she decided to get out of the partnership and leave it to her brother.

4 Refer to Text 4.

(a) (i) Describe the main principle of the Trade Marks Act (1994).

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(ii) Explain why PF may have wished to register its RPF trade mark.

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(b) Explain how Penny and Clive should go about dissolving their partnership.

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..... [4]

[Total: 8]

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