

**ADVANCED GCE UNIT  
 APPLIED BUSINESS**

**F256**

UNIT 17: Business Law  
**TUESDAY 19 JUNE 2007**

Afternoon

Time: 2 hours

No additional materials required.



Candidate  
 Name

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Centre  
 Number

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**INSTRUCTIONS TO CANDIDATES**

- Write your name, Centre Number and candidate number in the boxes above.
- Answer **all** questions.
- Use blue or black ink. Pencil may be used for graphs and diagrams only.
- Read each question carefully and make sure you know what you have to do before starting your answer.
- If you run out of space for an answer, continue on the lined pages at the back of this booklet.
- Tell the invigilator if you do not have something that you need.
- Do **not** write in the bar code.
- Do **not** write outside the box bordering each page.

**INFORMATION FOR CANDIDATES**

- The number of marks available is given in brackets [ ] at the end of each question or part question.
- The quality of written communication will be taken into account in marking your answer to the question marked with an asterisk (\*).
- The total number of marks for this paper is 100.

FOR EXAMINER'S USE	
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<b>TOTAL</b>	

This document consists of **14** printed pages and **2** lined pages.

**Text 1**

Mike Thirlaway and Antonia Lipka had spent a long time studying the problems of traffic congestion and the resultant growing internal airline market in the UK. They followed carefully the success of firms operating flights on routes such as Stansted/Newquay and Oxford/Cambridge. It was clear Mike and Antonia had an interest in travel – Antonia, having gained her pilot’s licence in 2002 – and both had quite a lot of spare cash. In 2005 they set up *MintAir* as a partnership, initially leasing one aircraft and ground space at Southampton and Sunderland airports. Then they started looking for business.

September 2005 saw their first commercial flight and the *MintAir* logo on the tail fin took to the skies. There was clearly a demand for UK inter-city flights and the whole business looked potentially very prosperous. Both Mike and Antonia had received advice to set up *MintAir* as a private limited company and, given the nature of their business, they strongly considered it.

**1 Refer to Text 1.**

**(a)** Outline the main legal provisions of:

**(i)** the Partnership Act (1890);

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**(ii)** the Companies Acts.

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(b) Mike and Antonia drew up a Deed of Partnership. Explain **four** statements that should be included in their Deed of Partnership.

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(c\*) After a highly successful first month of flights, Mike and Antonia decided that *MintAir* should become a private limited company. Evaluate the factors which may have affected this decision.

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[Total: 31]

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## Text 2

*MintAir Ltd* rapidly went from strength to strength and from research findings showed there was a clear demand for routes in addition to Southampton/Sunderland. With Antonia doing the flying and Mike everything else, there was far too much to do. By the end of November 2005 they had two routes both flying out of Southampton. They also employed six people – all working on a rota basis on the in-flight service.

Still in its infancy *MintAir Ltd* was finding it difficult to cover the huge set up costs of the business, despite the initial success. Looking to cut corners wherever possible Mike did the minimum of training for his cabin crew (“All they have to do is smile and fetch a few drinks” he told Antonia) and started them on a wage of £4.90 per hour – with the promise of bonuses in the future.

It was hardly surprising that on Thursday 2 February 2006 *MintAir Ltd* was faced with a particular issue. Due to an engine problem that morning, Antonia had to announce that there would be a slight delay in take off. While repairs were carried out, the cabin crew had to deal with increasingly upset passengers and, in the cramped conditions of the small passenger plane, tempers rose. Antonia ordered Joe Callaghan, one of the cabin crew, to serve free drinks to all the passengers. He refused saying that he was too tired, paid too little and that he had been on duty for five hours without a break. When the flight eventually got underway Joe did not bother carrying out the passenger safety briefing, claiming he had not been sufficiently trained. When he went to fetch a laptop computer for a passenger from an overhead locker, the locker sprang open and the laptop fell to the floor, narrowly missing Joe’s head.

Mike and Antonia reckoned Joe’s actions were deliberate and reminded him that lockers on the plane were not supposed to be opened during the flight. It was becoming clear that Joe was a problem and that he might have a negative effect on the rest of the staff. Mike and Antonia decided to attempt to increase morale by paying a bonus, as promised in the cabin crew’s contracts, immediately – with the exception of Joe who would get his bonus ‘when he performed his job properly’.

Then in May 2006 *MintAir Ltd* faced two problems:

- 1 Joe resigned from his job and threatened legal action for constructive dismissal.
- 2 The passenger who had had his laptop damaged now wanted to sue *MintAir Ltd* for the damage to his hardware and the loss of important documents that he could not recover.

## 2 Refer to Text 2.

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

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(b) Explain **three** ways in which *MintAir Ltd* breached its statutory duties to its employees.

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(c) Mike wondered if *MintAir Ltd* was vicariously liable for Joe's actions on 2 February 2006. Explain why the issue of vicarious liability might be unclear in relation to Joe.

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**(d) (i)** Outline what is meant by constructive dismissal.

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**(ii)** Evaluate Joe's claim for constructive dismissal.

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**Text 3**

In September 2006 *MintAir Ltd* sub-contracted all aircraft maintenance to a firm called *Airservice Ltd*. This firm regularly overhauled the three aircraft which *MintAir Ltd* now leased. This contract seemed to work well for *MintAir Ltd* as there were financial penalties payable by *Airservice Ltd* if it did not complete maintenance work or repair an aircraft on time, subsequently causing any delay to a flight.

Two months later this was put to the test when one of *MintAir Ltd's* aircraft could not take off from Southampton because of a technical problem with the fuel pump system. *Airservice Ltd* initially quoted a one hour repair time and a cost of £2500. In fact the delay ended up being four hours and it meant that Mike and Antonia agreed to give all 15 passengers, as was company policy, a free flight. Having been charged £3000 for maintenance work on this aircraft three weeks previously to correct a similar fuel pump problem, Mike and Antonia felt somewhat aggrieved. Given that *MintAir Ltd* traded on its advertising slogan 'Quicker than road or rail', Mike and Antonia realised that at times this was untrue.

**3 Refer to Text 3.**

(a) (i) Identify **two** main principles of the Trade Descriptions Act (1968).

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- 2. ....  
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(ii) Explain how *MintAir Ltd* might be in breach of this Act.

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(b) Mike and Antonia had read about the Supply of Goods and Services Act (1982) and decided to take action against *Airservice Ltd* when it refused to compensate *MintAir Ltd* for the delay. To what extent is *Airservice Ltd* liable to pay *MintAir Ltd* compensation?

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[Turn over

**Text 4**

If the problems with Airservice Ltd were not enough *MintAir Ltd* had another possible issue with its database of customers. Mike always kept a lot of information on the computer about all those who travelled with *MintAir Ltd*. He had collected much of it from a very detailed in-flight questionnaire that he asked customers to complete.

Recently Mike had exchanged *MintAir Ltd's* own customer database information with another small airline who operated on a different route. One customer asked Mike why he was being contacted by another airline which clearly knew a lot about him. The information this airline seemed to have (provided by *MintAir Ltd*) was incredibly detailed. Some of it was personal and out of date. Indeed, quite why the airline had information relating to his previous marital status – he was now divorced – seemed intrusive to say the least. The customer asked if he could see what information *MintAir Ltd* had relating to him, but Mike refused.

With problems mounting Mike and Antonia strongly considered the possibility of actually ceasing trading and liquidating *MintAir Ltd*. With many more big payments to make to sub-contractors they feared that before long this liquidation may not be voluntary.

**4 Refer to Text 4.**

(a) Explain **three** issues that appear to be in breach of the Data Protection Act (1998).

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(b) Outline **four** steps involved in winding up a limited company such as *MintAir Ltd.*

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[Total: 14]



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