

**ADVANCED GCE
 APPLIED BUSINESS**

Unit 17: Business Law

WEDNESDAY 16 JANUARY 2008

F256

Morning
 Time: 2 hours

Candidates answer on the question paper

Additional materials: No additional materials are required



Candidate Forename

Candidate Surname

Centre Number

Candidate Number

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.
- Do **not** write outside the box bordering each page.
- 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 **14** printed pages and **2** lined pages.

Text 1

Sustainable Steve's seemed such a great name for the business that was close to Steve Wood's heart – that of managing a sustainable forest farm. In 2003 Steve had used every penny of an inheritance and a government grant to purchase a sizeable area of forested land in mid-Wales. He had studied Forestry and Environmental Management at college and, following thorough research into the legalities, logistics and demand for timber farming, had set up a private limited company. Steve's two sisters contributed a little money and had a minor shareholding. The main objective of *Sustainable Steve's Ltd (SS Ltd)* was to produce timber which was replaced on a 'two trees for one' basis (planting two for every one cut down) and selling it to manufacturers of furniture and paper. The profits were to be ploughed back into the firm by buying more land, more pine, larch and beech saplings and recruiting a bigger workforce.

It took three years before SS Ltd saw any profit at all as the work was hard and finding customers proved difficult. Steve had big plans, however, and late in 2006 SS Ltd signed a potentially lucrative contract with Wooden Wonders Ltd (WW Ltd) – a manufacturer of children's wooden toys – and the future looked rosy. Indeed, Steve was equally delighted and concerned that the WW Ltd contract would place a huge demand on SS Ltd's output and resources. It was becoming clear that he needed to consider rapid and considerable expansion of the business. His mind began to turn to the possibility of SS Ltd becoming a public limited company.

1 Refer to Text 1.

(a) When Steve originally set up the company, he had to prepare a Memorandum of Association and the Articles of Association. Explain **two** items that Steve would have included in:

(i) a Memorandum of Association;

1.

 [4]

(ii) the Articles of Association.

1.

2.
.....
.....
..... [4]

(b) One of the main reasons that Steve set up Sustainable Steve’s Ltd (SS Ltd) as a company was that he would have **limited liability**. Explain what limited liability means for a company such as SS Ltd.

.....
.....
.....
.....
.....
..... [3]

(c) Steve had considered setting up his business with charitable status, rather than registering as a company. State **one** reason why he might have taken this option.

.....
..... [1]

(d) Evaluate Steve’s idea that SS Ltd should become a **public** limited company.

.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....

Text 2

Steve decided to keep SS Ltd as a private limited company and searched around for the finance to buy the fertilisers, chainsaws and other equipment needed. SS Ltd dealt with nine different suppliers, although Steve was concerned that some of these firms were less reliable than others. Indeed, a few had tried to avoid any long term commitment and certainly anything as formal as a contract to supply. One such supplier was a small business called Ferty Liser (FL). The owner, Chris Little, firmly expressed the view that he did not want to be held to a contract, and was vague about exactly what type of fertiliser he was offering. He even got his 13 year old son to sign the ‘agreement’ on his behalf. Chris claimed that Steve had been unclear as to exactly what SS Ltd wanted over the coming months in terms of supplies – and he would rather keep arrangements on a weekly basis. Steve had agreed to pay a sum of money, but decided to put no sum at all in the contract – so haphazard did FL seem. When an incomplete delivery finally arrived, he decided to pay nothing at all.

Since he had established SS Ltd, Steve had spent a lot of time experimenting with the science of crossing tree species in an attempt to produce a new variety of quick growing timber. In the spring of 2007 he thought he had struck lucky and produced a strain of pine which was of a better quality and faster growing. It was early days and he had only experimented with just a few trees, but Steve was convinced that he had a new ‘product’. This was ‘top secret’ and needed to be closely guarded if it was indeed true.

2 Refer to Text 2.

(a) SS Ltd has to abide by UK legislation. Explain **three** stages in the creation of an Act of Parliament.

- 1.
.....
.....
.....
 - 2.
.....
.....
.....
 - 3.
.....
.....
.....
- [6]

(b) Explain **three** elements which should have been present to make the contract between SS Ltd and FL legally valid.

- 1.
.....
.....
.....
.....
 - 2.
.....
.....
.....
.....
 - 3.
.....
.....
.....
- [6]

(c) Explain **three** ways in which contracts, such as one between SS Ltd and any of its suppliers, could be terminated.

- 1.
.....
.....
.....
.....
.....
.....
- 2.
.....
.....
.....
.....
.....

3.
.....
.....
.....
.....
.....
.....
.....[9]

(d) Steve was concerned about the secrecy surrounding the new variety of timber. Explain how Intellectual Property Rights legislation might help SS Ltd.

.....
.....
.....
.....
.....
.....
..... [3]

[Total: 24]

Text 3

With the WW Ltd contract came the need for considerable expansion of SS Ltd, in the short-term at least, as the amount of work began to increase. In June 2007 Steve felt the need to employ eight new temporary forestry workers. He had a rather old-fashioned view about the type of person he wanted – ‘big, tough, young, able-bodied men,’ Steve was heard to say by one of his employees. Eight staff were duly recruited, all of whom were Forestry and Estate Management students looking for a ‘casual’ summer job which gave them some valid work experience. This cheap and casual option was, however, about to backfire. Within five weeks, there had been two potentially serious incidents.

Incident One

Steve ran his business with very little regard to health and safety. He assumed that the students he had employed would want to fell big trees with big chainsaws and would hardly want boring safety briefings or to read safety documents – so he did not bother. The chainsaws which were brand new and imported from a cheap supplier in Poland, were stored near cans of petrol – some of which Steve thought were cracked and leaking, judging by the smell. Steve did, however, take some safety measures. He:

- gave the new staff the chainsaw instructions to have a look at;
- checked that they had a mobile phone to contact him if there was an injury;
- put up a few paper signs saying that tree felling was in progress.

Steve did not, alas, really organise a system for felling the trees and an ‘accident waiting to happen’, sure enough materialised. Divided into two groups of four, the students competed against each other to cut down as many trees as possible. Steve quietly encouraged this, until the groups were working on adjacent trees and managed to fell them onto each other. It was surprising that only one of the students had a slight shoulder injury.

Incident Two

WW Ltd sent flatbed trucks twice a week to collect timber from SS Ltd. The trucks took the forest track to where Steve had a huge yard for storing timber and loaded up with the agreed amount. Steve had been concerned about one of his new employees, Ben French, whom he frequently referred to as ‘Crazy Ben’ because of his high risk, near suicidal approach to tree felling. Fortunately, Ben produced nearly twice as much cut timber as anyone else. Some of the other employees had said that they did not want to work with him, even after Steve had ordered Ben not to use his chainsaw within five metres of anyone else. Steve had also become convinced that Ben had removed felled timber at night from the forest for his own private gain – but he did not have enough proof. Ben had been late for work three times, but argued that he worked harder than everyone else – which was undoubtedly true. Finally, everything came to a head when a tree came crashing down onto one of WW Ltd’s trucks as it approached the yard. The driver was injured and the truck’s cabin a write-off. Ben, unsurprisingly, was the tree-feller responsible.

3 Refer to Text 3.

(a) Explain **two** ways in which Steve’s attitude to recruiting staff could contravene anti-discrimination law.

1.

.....

.....

2.
.....
.....
..... [4]

(b) State **three** principles of the Health and Safety at Work Act (1974).

1.
.....
2.
.....
3.
..... [3]

(c) Using evidence in **Incident One**, evaluate SS Ltd's current position with regard to health and safety law.

.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....

..... [15]

(d) Explain how the law relating to **occupier's liability** would make SS Ltd liable for the injury in **Incident Two**.

..... [4]

.....

.....

.....

..... [15]

[Total: 41]

Text 4

By November 2007 it all became too much for Steve. The new species of tree had ‘failed’ and fulfilling the contract with WW Ltd was proving difficult. Additionally, the issues with the students in the summer would probably be repeated again and again as Steve could not see how he could really change SS Ltd’s working practices. Steve, therefore, decided to liquidate SS Ltd.

4 Refer to Text 4.

Describe **four** steps involved in liquidating a company, such as SS Ltd.

- 1.
.....
.....
.....
 - 2.
.....
.....
.....
 - 3.
.....
.....
.....
 - 4.
.....
.....
.....
- [8]

A series of horizontal dotted lines spanning the width of the page, intended for writing or drawing.

PLEASE DO NOT WRITE ON THIS PAGE

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (OCR) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

OCR is part of the Cambridge Assessment Group. Cambridge Assessment is the brand name of University of Cambridge Local Examinations Syndicate (UCLES), which is itself a department of the University of Cambridge.