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Centre Number						Candidate Number				
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**OXFORD CAMBRIDGE AND RSA EXAMINATIONS
ADVANCED GCE**

F256

APPLIED BUSINESS

Unit 17: Business Law

THURSDAY 21 JANUARY 2010: Afternoon

DURATION: 2 hours

SUITABLE FOR VISUALLY IMPAIRED CANDIDATES

Candidates answer on the Question Paper

OCR SUPPLIED MATERIALS:

None

OTHER MATERIALS REQUIRED:

None

READ INSTRUCTIONS OVERLEAF

INSTRUCTIONS TO CANDIDATES

- **Write your name clearly in capital letters, your Centre Number and Candidate Number in the boxes on the first page.**
- **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.**
- **Write your answer to each question in the space provided.**

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 (*).**

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TEXT 1

***Mining Heritage Ltd (MH Ltd)*, an open-air mining museum, was started in 1992 by six ex-miners with a great love of the mining industry. The museum is located on the site of an old drift mine with original rail track and coal wagons. Along with modest admission charges, the museum was an instant hit with tourists. The six ex-miners, being the only shareholders, worked tirelessly year after year to produce a wide variety of interesting displays. Ever enthusiastic about passing on their mining heritage to future generations, and mindful that visitor numbers continued to increase, the shareholders' thoughts turned to expansion.**

The shareholders gave little thought to business practicalities, and quickly decided on an extensive two-fold expansion plan:

- **to open up the drift mine – allowing visitors to take an exciting guided tour underground. Visitors, provided with hard hats, would be able to see at first hand how coal was worked and experience something of working conditions below ground.**
- **to open a gift shop – selling gifts on a mining theme and, of course, the obligatory sweets. Visitors would be able to buy a souvenir of their visit to the museum, raising some additional revenue for *MH Ltd*.**

Eager to make progress the shareholders contacted *MH Ltd's* bank manager who asked whether they had considered turning the museum into a public limited company.

1 REFER TO TEXT 1.

(a) When the six ex-miners initially set up the company, certain documents were required. Explain TWO items that would have been included in:

(i) the Memorandum of Association;

1: _____

2: _____

_____ **[4]**

(ii) the Articles of Association.

1: _____

2: _____

_____ [4]

(b) The ex-miners had considered setting up the museum with charitable status. State ONE advantage to the museum of taking this option.

_____ [1]

[14]

[Total: 29]

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TURN OVER FOR QUESTION 2

TEXT 2

The shareholders decided to keep *MH Ltd* as a private limited company and managed to finance their expansion plans with a generous government grant. In a matter of weeks the gift shop was ready to trade. The opening up of the drift mine was more complex and would take longer.

The gift shop sold unusual souvenirs, such as replica mining lamps and traditional sweets. Classic Candy Ltd (CC Ltd) was contracted to supply these sweets in small tins. The sweets were made to the original recipes except for the addition of preservatives. The tins were painted with original gunmetal leaded paint. Each tin was labelled with its total weight in imperial units, rather than metric, just as in the old mining days.

Zara was employed by *MH Ltd* to run the gift shop and every month, when the new delivery of sweets arrived, Zara would restock the shelves. The sweets were always displayed on the third shelf, out of the reach of young children. Once the new delivery was neatly stacked, she would replace the sign which read 'Sweets for all the family, made to original recipes'.

Late one afternoon, Zara received a phone call from a customer who had purchased a tin of original mint humbugs for her young son. The customer complained that, on opening the tin at home, she had found the mints smashed to pieces and more worryingly that a tiny piece of glass found in the tin had cut her young son's gum. Zara thought it more likely that a piece of broken sweet had cut the boy's gum, nevertheless, she immediately removed all of the sweets from sale.

(b) Describe THREE elements needed to make the contract between *MH Ltd* and *CC Ltd* legally enforceable.

1: _____

2: _____

3: _____

[6]

(c) Contracts rely upon EXPRESS and IMPLIED terms.

(i) State one EXPRESS term likely to be in the contract between *MH Ltd* and *CC Ltd*.

[1]

(ii) State one IMPLIED term that the SALE AND SUPPLY OF GOODS ACT would impose on a contract such as the one between *MH Ltd* and *CC Ltd*.

[1]

(d) The Sale and Supply of Goods Act is an example of an Act of Parliament. Explain THREE stages involved in the creation of an ACT OF PARLIAMENT.

1: _____

2: _____

3: _____

[6]

[14]

[Total: 32]

TEXT 3

Finally the excavation work needed to open up the drift mine was complete. A high metal fence, with 'danger keep out' warnings signs on every gate, secured the site.

Inside the drift mine additional lighting, ramps and hand rails were installed to help the visitors cope with the narrow steps and uneven ground. Low beams were painted white and emergency routes were clearly signed.

Four local residents were employed as guides to give every visitor, who wished, a tour of the drift mine. Each tour was to last 25 minutes and hard hats were to be issued before entering the mine. *MH Ltd* provided detailed health and safety training to all four of the guides. Two of the guides were also sent on a week-long first aid course. The guides had a difficult job – as well as explaining the workings of the mine and answering any questions, they also had to warn the visitors of any dangers and ensure that the hard hats were being worn correctly.

A group of senior citizens were given the first guided tour.

3 REFER TO TEXT 3.

(a) Employers and employees must perform their common law duties.

(i) Explain TWO common law duties *MH Ltd* has as an EMPLOYER.

1: _____

2: _____

_____ **[4]**

(ii) Explain TWO common law duties the guides have as EMPLOYEES.

1: _____

2: _____

_____ [4]

(b) State THREE actions a business such as *MH Ltd* must take in order to meet the requirements of the Health and Safety at Work Act.

1: _____

2: _____

3: _____

_____ [3]

[14]

[Total: 25]

TEXT 4

The shareholders were relieved to find that the first tour went well, and very soon the museum was running 20 tours a day. The gift shop received no further complaints and trade was brisk. Nevertheless all was not well – the complexity of running the newly expanded museum had been seriously underestimated by the shareholders.

Passionate about mining, but lacking in business skills, essential paperwork had been left undone. Contracts of employment had not been issued and national insurance returns not submitted. Contracts to supply the gift shop were in disarray and the buildings insurance renewal had not been processed. Most alarmingly of all, the tax demand had not been paid and several suppliers were owed money. Creditors were calling daily to ask when they would be paid.

The shareholders knew that this state of affairs could not continue. They considered putting *MH Ltd* into administration.

2: _____

3: _____

[6]

[Total: 14]

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