

**ADVANCED GCE**  
**APPLIED BUSINESS**  
Business Law

**F256**

Candidates answer on the question paper.

**OCR supplied materials:**

None

**Other materials required:**

None

**Thursday 20 January 2011**  
**Afternoon**

**Duration: 2 hours**



|                       |  |                      |  |
|-----------------------|--|----------------------|--|
| Candidate<br>forename |  | Candidate<br>surname |  |
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| Centre number |  |  |  |  |  | Candidate number |  |  |  |  |
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**INSTRUCTIONS TO CANDIDATES**

- Write your name, centre number and candidate number in the boxes above. Please write clearly and in capital letters.
- Use black ink. Pencil may be used for graphs and diagrams only.
- Read each question carefully. Make sure you know what you have to do before starting your answer.
- 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).
- Answer **all** the questions.
- Do **not** write in the bar codes.

**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**.
- Your quality of written communication is assessed in the question marked with an asterisk (\*).
- This document consists of **20** pages. Any blank pages are indicated.

**Text 1**

Dave Carter and his wife, Elspeth, set up their own hot air ballooning company during the economic boom of the mid 1990s. Trading as a private limited company, with Dave and Elspeth as the only directors, the Carters enjoyed considerable success for over a decade. Dave, a fully licensed balloon pilot, guided customers over beautiful countryside, providing a thrilling ride and breathtaking scenic views. Elspeth, a catering graduate, prepared a freshly-made luxury picnic, packaged in a wicker hamper, for customers to enjoy during their fabulous journey.

Sadly, in 2008, despite their greatest efforts, the recession took its toll. The Carters' hot air ballooning company was forced into compulsory liquidation. Dave and Elspeth lost all of the savings they had invested in the business and their means of earning a living. To make matters worse, for failing to keep proper accounting records and the non-submission of tax returns, the Carters faced company director disqualification. Both Dave and Elspeth were banned from setting up another company for the next five years.

**1 Refer to Text 1.**

**(a)** Describe **two** documents which the Carters would have had to produce in order to set up their hot air ballooning business as a **private limited company**.

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2: .....

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..... [4]

(b) What is the **legal** role of a company director?

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(c) Give **one** reason why a company may have to go into compulsory liquidation.

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..... [1]

(d) Explain **four** steps which must be carried out if a company such as the Carters' hot air ballooning company goes into compulsory liquidation.

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..... [8]

[Total: 15]

**Text 2**

Within a few months, Dave, managed to find a job as a health and safety officer at the local airport. He disliked the early morning starts but valued the security his paid employment brought to the family. One morning, whilst listening to Dave complaining about having to make his sandwiches for work, Elspeth had an idea for how to put her catering expertise to good use – she could make sandwiches and deliver them daily to people at their places of work. She could target the airport, nearby industrial estates and out-of-town offices, providing workers with a quick, convenient, healthy and reasonably priced lunch.

Dave supported the sandwich business idea but knew that they had insufficient savings to finance the venture. “Premises, a delivery van and catering equipment all cost money”, he said. “Furthermore, running a business on your own is a lot to take on.” Disqualified as a company director for five years, and, therefore, unable to set up a company, Dave advised Elspeth to consider trading as a partnership. “That way a partner could contribute capital to the business”, Dave explained. Janette, Dave’s sister, seemed the ideal choice of partner: recently made redundant, she had time and funds and, being a trained bookkeeper, had the financial and administrative skills which both Dave and Elspeth lacked.

Elspeth approached Janette with the partnership proposal. After due consideration, Janette was pleased to accept. *Lightening Lunches*, trading as a partnership, was formed in July 2009. The partners found a catering unit available to rent on the outskirts of the town. They signed a contract with the landlord, Origin Ltd, for the rental of the catering unit for three years. The majority of the catering equipment was bought using capital Janette had introduced into the business. A delivery van was bought on credit. Trading commenced in September 2009.

**2 Refer to Text 2.**

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

- 1: .....
- .....
- 2: .....
- .....
- 3: .....
- ..... **[3]**





(d) *Lightening Lunches* has a contract with Origin Ltd for the rental of the catering unit.

Outline **four** ways in which the contract between *Lightening Lunches* and Origin Ltd could be terminated.

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[Total: 27]



**Text 3**

Sales in the first six months at *Lightening Lunches* were disappointing and Janette secretly thought that she had made a very big mistake. She need not have been concerned, however, as the breakthrough *Lightening Lunches* needed was just around the corner.

Elsbeth, used to preparing picnics for the hot air balloon flights, came up with the idea of making, not only sandwiches, but complete packed lunches. Janette was sceptical, but took on the task of conducting the market research. The response from industry was very poor, but the response from schools, especially primary schools, was extremely positive. Elspeth and Janette decided to give the idea a go. The idea was a massive success and orders for child-sized complete packed lunches came flooding in.

The packed lunches proved so popular that *Lightening Lunches* needed to expand to keep up with demand. Elspeth ordered machines to speed up production: two electric food slicing machines, an automatic wrapping and labelling machine and an industrial sized dishwasher. Janette advertised and interviewed for staff. *Lightening Lunches* appointed ten employees: seven kitchen staff, two office workers and one van driver. Those employed to work in the kitchen received full health and safety training. All of the staff were paid the national minimum wage.

Every employee was issued with a contract of employment and, with the exception of one of the kitchen staff who frequently arrived late for work, all went well.

**3 Refer to Text 3.**

(a) (i) Describe how common law is created.

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(ii) Explain **two** common law duties *Lightening Lunches* has as an **employer**.

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(iii) Explain **two** common law duties the kitchen staff have as **employees** of *Lightening Lunches*.

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(b) (i) What is the maximum length of time the law gives an employer to issue a contract of employment to a newly appointed member of staff?

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..... [1]

(ii) Suggest **three** specific items Elspeth and Janette should include in their employees' contracts of employment.

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2: .....  
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(c) Explain **one** way in which *Lightening Lunches* can avoid breaking the law relating to wrongful dismissal.

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3: .....  
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(b) Explain how the law relating to **vicarious liability** would make *Lightening Lunches* liable for the damage caused to the hospital's property in **Incident One**.

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(c) Connor injured himself at work. Explain **two** reasons why **contributory negligence** may apply in **Incident Two**.

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[4]







**19**  
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