

ADVANCED GCE
APPLIED BUSINESS
Business Law

F256

Candidates answer on the question paper.

OCR supplied materials:

None

Other materials required:

None

Monday 20 June 2011
Afternoon

Duration: 2 hours



Candidate forename		Candidate 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.

(b) Limited companies pay tax on their profits. State the name of this tax.

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(c) What is the role of a shareholder?

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(d) Explain why *AM Ltd* might face legal action over its new company logo.

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(e) Explain **two** ways in which *AM Ltd* appears to be in breach of the Copyrights, Designs and Patents Act.

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Text 2

AM Ltd buys cheap cars at auction and has them re-sprayed, if necessary. The cars are waxed and polished, photographed for the website and parked on the forecourt for potential customers to view. Once a sale has been agreed, *AM Ltd* sends the car for a full service before supplying the vehicle to the customer.

The re-spray and servicing work is contracted-out to Braithwaites' Garage, a nearby business owned by two brothers. A verbal contract exists between *AM Ltd* and Braithwaites' Garage which gives the Braithwaite brothers two days to complete any work required by *AM Ltd*, in return for a fee set by *AM Ltd*, payable monthly. *AM Ltd* was unwilling to put this contract in writing, believing a verbal contract to be to its advantage.

AM Ltd pays very low rates to Braithwaites' Garage for the work done and frequently pays late. The Braithwaite brothers are far from happy with the situation but, being dependent upon the work from *AM Ltd*, feel powerless to negotiate better terms. Instead, without telling *AM Ltd*, the brothers had began to cut corners. Whilst the re-sprays are always completed to the best of their ability, the servicing work has become less thorough. Obvious tasks such as oil changes and tyre checks are done, but less visible checks such as those on the braking and steering systems are often omitted. The brothers cannot see a problem with this, as they have never been asked to sign a contract.

2 Refer to Text 2.

(a) What is a **verbal contract**?

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(b) Both verbal and written contracts are legally binding. What does the term 'legally binding' mean?

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(c) Explain **four** elements required to make the contract between *AM Ltd* and Braithwaites' Garage legally binding.

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(d) *AM Ltd* is not happy with the standard of one of the re-sprays completed by Braithwaites' Garage. Explain **one** way in which this situation could be resolved.

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(e) Evaluate the benefits and drawbacks to *AM Ltd* of having a verbal contract, rather than a written contract, with Braithwaites' Garage.

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[14]

[Total: 31]

Text 3

In December 2010, Lucy Litchfield, searching for an inexpensive but reliable motor to get her to and from work, saw a car on *AM Ltd's* website which caught her eye. The car, six years old in metallic silver, looked like new on the photograph. Priced at £2000 this was a car which Lucy could just about afford. Advertised as having done 'only 18 000 miles' with 'one careful lady owner', Lucy decided to go and view the car straightaway.

On arrival at *AM Ltd's* forecourt, Lucy was dismayed to find that the price on the car's windscreen was £3000, higher than stated on the website. On querying this with the Sales Manager, Graeme, he apologised for any distress caused and reassured her that shortage of funds would not be a problem as *AM Ltd* offered finance.

Despite her initial disappointment, Lucy offered to buy the car for £2500 (subject to £500 being made available on finance). Graeme accepted the offer and processed the credit application for £500 at an interest rate of 24% per annum. Three days later, on Saturday morning, Lucy proudly collected her car.

Within hours Lucy realised that the car had problems: the horn did not work and the handbrake did not function well enough to park the vehicle on a hill. If this was not bad enough, on Monday morning the car would not start and Lucy was late for work. By the Friday the car had failed to start on three separate occasions.

On Saturday morning the car registration document arrived in the post. Reading the car registration document Lucy found out that the car had had four previous owners, not one, and none of them women. Furthermore, the last recorded mileage given on the document was 98 000 miles. Furious, Lucy rang *AM Ltd* to complain. Whitney, one of the sales team, took the call.

3 Refer to Text 3.

- (a) Identify **three** legal provisions of the Sale and Supply of Goods Act and explain how each has been broken by *AM Ltd*.

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(b) The Sale and Supply of Goods Act is an example of an Act of Parliament. Name **three** stages involved in the creation of an Act of Parliament.

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(c) Explain **two** issues related to the Consumer Credit Act which *AM Ltd* must consider when it offers finance to customers.

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(d*) Evaluate the seriousness of *AM Ltd's* current position with regard to consumer protection legislation.

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[Total: 27]

Text 4

Whitney, the longest serving member of the sales team and possibly the best sales person *AM Ltd* has ever employed, approached Graeme with Lucy’s complaint.

Unfortunately for Whitney this was the fourth complaint which she had to relay to Graeme that day, and Graeme was not in a good mood. On hearing that there had been yet another complaint, Graeme flew into a rage; he accused Whitney of deliberately stirring up trouble by encouraging dissatisfied customers to take matters further. “You are blaming me?”, exclaimed Whitney. “It is the shoddy way the company operates that is to blame, not me. It is my job to report any complaints to you”, added Whitney. “I am only doing my job!”

“Your job is to make money for the company, not cost us money”, shouted Graeme. “We need young, smooth-talking men on the sales team, not rabble-rousing women approaching retirement age”, Graeme continued. “You are fired!”

Whitney could not believe what she had heard; none of the complaints were her fault. She attempted to reason with Graeme but he would not listen. “Just go!”, said Graeme firmly. Whitney left, intent on referring the matter to her trade union.

4 Refer to Text 4.

- (a) Explain **two** ways in which Graeme’s attitude towards his staff contravenes anti-discrimination legislation.

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(b) (i) Whitney believes that she has been unfairly dismissed. What is the legal meaning of the term 'unfair dismissal'?

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(ii) Explain **two** ways in which Whitney's trade union could assist her with her claim for unfair dismissal.

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(c) Outline **two** advantages to employees such as Whitney of pursuing a claim for unfair dismissal through ACAS (LRA in Northern Ireland) rather than through an employment tribunal.

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[Total: 14]

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