

# **Applied Business**

Advanced GCE

Unit **F256**: Business Law

## **Mark Scheme for January 2013**

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This mark scheme is published as an aid to teachers and students, to indicate the requirements of the examination. It shows the basis on which marks were awarded by examiners. It does not indicate the details of the discussions which took place at an examiners' meeting before marking commenced.

All examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes should be read in conjunction with the published question papers and the report on the examination.

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## Annotations

Annotation	Meaning
	The response is 'unclear' to the marker
	'Benefit of doubt' but credit given
	To indicate the response is in 'context' of the relevant case study
	Response is incorrect, no credit can be given
	Use for level of response answers to indicate level 1
	Use for level of response answers to indicate level 2
	Use for level of response answers to indicate level 3
	Use for level of response answers to indicate level 4
	The response is not incorrect but has 'not answered question'
	Use where indicated in the mark scheme
	'Repeat' response repeats the same marking point
	'Noted, but no credit given' or to indicate all or part blank answer pages have been seen by the marker.
	Correct point/answer. Credit can be given.

**Subject-specific Marking Instructions****Testing of QWC**

*In this external assessment the assessment of QWC will take place in Question 3c which is a levels of response question and carries 14 marks.*

*Marks are embedded within this question for assessing the quality of written communication. The following criteria are embedded within the levels of response for Question 3c.*

**Level 4:**

Ability to present relevant material in a well planned and logical sequence. Material clearly structured using appropriate business terminology confidently and accurately. Sentences, consistently relevant are well structured in a way that directly answers question. There will be few, if any errors of grammar, punctuation and spelling.

[4 marks representing the appropriate level of written communication are embedded in this level of response].

**Level 3:**

Ability to present relevant material in a planned and logical sequence. Appropriate business terminology used. Sentences for the most part relevant presented in a balanced, logical and coherent manner which addresses the question. There will be occasional errors of grammar, punctuation and spelling.

[3 marks representing the appropriate level of written communication are embedded in this level of response]

**Level 2:**

Limited ability to organise relevant material. Some appropriate business terminology used. Sentences are not always relevant with material presented in a way that does not always address the question. There may be noticeable errors of grammar, punctuation and spelling.

[2 marks representing the appropriate level of written communication are embedded in this level of response]

**Level 1:**

Ability to communicate at least one point using some appropriate business terminology. Sentences have limited coherence and structure, often being of doubtful relevance to the main focus of question. Errors of grammar, punctuation and spelling may be noticeable and intrusive.

[1 mark representing the appropriate level of written communication is embedded in this level of response]

Question		Answer	Marks	Guidance
1	(a)	<p>Indicative content:</p> <ul style="list-style-type: none"> <li>• a business owned by one person</li> <li>• a business controlled by one person.</li> </ul> <p>Exemplar responses: Eg A business owned by only one person (1) who takes sole control of the business (1).</p> <p>Eg A person who owns a business by themselves (1) and takes charge of running it (1).</p> <p>Eg A business owned (1) and controlled by just one person (1).</p>	2	<p>AO1 2</p> <p>Up to two marks.</p> <p>Must be meaning <b>not</b> advantages or disadvantages eg do <b>not</b> award 'keeps all the profit'.</p>
	(b)	<p>Indicative content: Income Tax.</p> <p>Exemplar responses: Eg Income Tax (1).</p> <p>Eg Income (1).</p>	1	<p>AO1 1</p> <p>For one mark.</p> <p>'Income' is sufficient for award of the mark.</p>

Question	Answer	Marks	Guidance
(c)	<p>Indicative content:</p> <ul style="list-style-type: none"> <li>• keeps all the profit</li> <li>• works for himself</li> <li>• own boss</li> <li>• sole control</li> <li>• own responsibility</li> <li>• no shared decision-making</li> <li>• simple to set up</li> <li>• minimal paperwork</li> <li>• relatively little set up capital required</li> <li>• flexibility.</li> </ul> <p>Exemplar responses:            Eg Tom is his own boss (1) and can run the business as he likes (1).</p> <p>Eg Tom gets to keep the profits of the business (1) rather than just receiving a wage from an employer (1).</p> <p>Eg He does not need to share the profits (1) which he would have to do if he was not the sole owner (1).</p>	6	AO1 3 AO2 3  One mark for each correct identification, up to a maximum of three identifications, plus a further one mark for each of three explanations.

Question	Answer	Marks	Guidance
(d)	<p>Indicative content:</p> <ul style="list-style-type: none"> <li>• lose personal possessions – motorcycle</li> <li>• paying off the debt – mortgage</li> <li>• parental guarantee</li> <li>• difficulty gaining external finance</li> <li>• limits the risks which can be taken.</li> </ul> <p>Exemplar responses:</p> <p>Eg Tom could lose his home and beloved Harley-Davidson (1) if the business went bankrupt (1) because his personal funds would be used to pay off the parlour's debts (1).</p> <p>Eg Having unlimited liability would mean that Tom is personally responsible for any debts <i>Fun Ice</i> incurs (1). This may limit the risks Tom can take in the business (1) and may slow down any expansion plans (1).</p>	3	<p>AO1 1 AO2 2</p> <p>Up to three marks</p> <p>One mark for a correct identification, plus up to a further two marks for the explanation.</p> <p>For full marks the explanation must be in specific context.</p>

Question	Answer	Marks	Guidance
(e)	<p>Indicative content:</p> <ul style="list-style-type: none"> <li>• to protect a design – tubs, spoons</li> <li>• to protect an invention from being copied – liquid nitrogen method, home ice-cream maker, recipes</li> <li>• to prevent copying</li> <li>• to sell rights</li> <li>• to take legal action if copied</li> <li>• marketing advantage.</li> </ul> <p>Exemplar responses:</p> <p>Eg Tom could patent his idea for the domestic liquid nitrogen ice-cream maker (1) to stop anyone else copying his idea (1).</p> <p>Eg The three colour design of the ice-cream spoons could be protected (1) giving <i>Fun Ice</i> a marketing advantage (1).</p> <p>Eg He could take court action (1) against a business trying to copy his patented liquid nitrogen method (1).</p>	2	<p>AO1 1 AO2 1</p> <p>One mark for each correct identification up to a maximum of one identification, plus a further one mark for explanation.</p> <p>Do <b>not</b> accept references to logo or business name.</p>

Question	Answer	Marks	Guidance
(f)	<p>Indicative content:</p> <ul style="list-style-type: none"> <li>• to protect the name of the business</li> <li>• to protect the logo of the business</li> <li>• to prevent the logo being copied</li> <li>• to take legal action against anyone copying the logo</li> <li>• to sell rights of use</li> <li>• maintain uniqueness of symbol</li> <li>• to enhance brand identity</li> <li>• marketing advantage.</li> </ul> <p>Exemplar responses:</p> <p>Eg Tom can protect <i>Fun Ice</i>'s logo (1) thus making it illegal for other businesses to copy it (1).</p> <p>Eg Tom can take legal action (1) against any business which tries to copy the logo (1).</p> <p>Eg Having a trade mark which cannot be copied (1) gives <i>Fun Ice</i> a distinctive brand (1).</p>	2	<p>AO1 1 AO2 1</p> <p>One mark for each correct identification up to a maximum of one identification, plus a further one mark for explanation.</p> <p>Answer <b>must</b> relate to the logo or business name.</p>

Question	Answer	Marks	Guidance
(g)	<p>Indicative content:</p> <ul style="list-style-type: none"> <li>• as described – flavour, weight, ingredients</li> <li>• matching sample</li> <li>• no false claims.</li> </ul> <p>Exemplar responses:            Eg Products sold must match their description (1).            Therefore, the large tub must contain at least 225 grams of ice-cream (1).</p> <p>Eg The ice-cream must not be falsely described (1). For example, Tom must not describe it as ‘freshly made’ if it is not (1).</p> <p>Eg The product must be as described (1). Therefore, the Belgian chocolate must be from Belgium (1).</p>	2	AO1 1 AO2 1  One mark for each correct identification up to a maximum of one identification, plus a further one mark for explanation.

Question	Answer	Marks	Guidance
2 (a)	<p>Indicative content:  <b>Offer:</b></p> <ul style="list-style-type: none"> <li>• a statement without misrepresentation</li> <li>• a clear statement of intent</li> <li>• an outline of suggested terms and conditions</li> <li>• an unconditional declaration of intent.</li> </ul> <p>Exemplar response:  Eg A clear statement of intent (1) outlining the proposed terms of the agreement (1).</p> <p>Indicative content:  <b>Capacity:</b></p> <ul style="list-style-type: none"> <li>• ability/authority to make a contract</li> <li>• age related incapacity – under 18</li> <li>• mental incapacity</li> <li>• temporary incapacity.</li> </ul> <p>Exemplar response:  Eg A person who enters a contract must have the legal ability to be bound by the contract (1). Those incapacitated on mental grounds cannot enter a legally binding contract (1).</p> <p>Indicative content:  <b>Consideration:</b></p> <ul style="list-style-type: none"> <li>• some element of mutual exchange</li> <li>• must be two sided</li> <li>• value attached to the promises.</li> </ul> <p>Exemplar response:  Eg Some element of mutual exchange (1) such as Tom offering payment in return for supplies of Madagascan vanilla pods (1).</p>	6	<p>AO1 3 AO2 3</p> <p>One mark for each correct identification up to a maximum of three identifications, plus a further one mark for each of three explanations.</p> <p><b>No</b> context required.</p>

Question	Answer	Marks	Guidance
(b)	<p>Indicative content:</p> <ul style="list-style-type: none"> <li>• work to be done with reasonable skill</li> <li>• work to be done with reasonable care</li> <li>• work to be done within a reasonable period of time</li> <li>• proper standards of workmanship</li> <li>• satisfactory quality of materials.</li> </ul> <p>Exemplar responses:</p> <p>Eg Work must be carried out in a manner expected by a skilled professional (1).</p> <p>Eg Customers should not be kept waiting for the service for too long (1).</p> <p>Eg Commercial Clean plc's cleaners must work with reasonable care (1).</p>	2	<p>AO1 2</p> <p>One mark for each correct identification, up to a maximum of two identifications.</p> <p>Answer <b>must</b> relate to the provision of services.</p> <p>Do <b>not</b> award sale of goods – the Act relates to the provision of services.</p> <p><b>No</b> context required.</p>

Question	Answer	Marks	Guidance
(c)	<p>Indicative content:</p> <ul style="list-style-type: none"> <li>• mutual agreement</li> <li>• event which frustrates performance</li> <li>• breach of contract</li> <li>• discharge by performance</li> <li>• court order.</li> </ul> <p>Exemplar responses:</p> <p>Eg The contract could be terminated by breach (1) if one of the parties broke the terms of the agreement (1).</p> <p>Eg An event which frustrates the contract would terminate the contract (1), such as the liquidation of Commercial Clean plc (1).</p> <p>Eg Through the passage of time (1) for example, the contract has reached the end of its one year term and was not renewed (1).</p>	8	<p>AO1 4 AO2 4</p> <p>One mark for each correct identification, up to a maximum of four identifications, plus a further one mark for each of four explanations.</p> <p><b>Max</b> 1 mark for example.</p> <p><b>No</b> context required.</p>

Question	Answer	Marks	Guidance
(d)	<p>Use levels of response criteria.</p> <p>Indicative content:</p> <ul style="list-style-type: none"> <li>• hygiene regulations should be met</li> <li>• regular routine cleaning</li> <li>• company has a good reputation</li> <li>• Tom does not have to do the cleaning</li> <li>• more time for Tom to ride his motorcycle</li> <li>• charges – standard fee and ‘dirty building charge’</li> <li>• ‘dirty building charge’ subjective and set by the cleaner</li> <li>• payment of charge inconvenient</li> <li>• Tom needs to be present at the end of cleaning – disrupts his evening</li> <li>• cleaning fluids may be expensive</li> <li>• lack of choice of cleaning fluids</li> <li>• cost of insurance cover</li> <li>• Tom still has to empty machines/containers himself</li> <li>• chairs have to be stacked</li> <li>• waste disposal issues</li> <li>• length of contract</li> <li>• increased costs</li> <li>• saves Tom’s time</li> <li>• effects on profitability</li> <li>• loss of control.</li> </ul> <p>Exemplar responses: Eg Tom will have to pay Commercial Clean plc for the service it provides (<b>L1</b>). However, it will mean that Tom no longer has to begin cleaning the ‘topping station’ (<b>CONT</b>) and ice-cream maker when the parlour closes at the end of the day (<b>L2</b>). This would give Tom more time each evening to do what he wished – probably going out on his</p>	14	<p>AO1 2 AO2 3 AO3 4 AO4 5</p> <p><b>Level 4 (10–14 marks)</b> Candidate evaluates the benefit(s)/drawback(s) to <i>Fun Ice</i> of accepting the proposed service contract with Commercial Clean plc.</p> <p><b>Level 3 (6–9 marks)</b> Candidate analyses the benefit(s)/drawback(s) to <i>Fun Ice</i> of accepting the proposed service contract with Commercial Clean plc.</p> <p><b>Level 2 (3–5 marks)</b> Candidate applies knowledge and understanding to suggest the benefit(s)/drawback(s) to <i>Fun Ice</i> of accepting the proposed service contract with Commercial Clean plc.</p> <p><b>Level 1 (1–2 marks)</b> Candidate identifies the benefit(s)/drawback(s) of accepting restrictive contracts with no use of context.</p> <p><b>Please indicate each time a candidate achieves a particular level as this will help you to allocate the marks within that level.</b></p> <p><b>Context should be annotated every time L2/L4 is awarded with the icon ‘CONT’.</b></p> <p>Non-contextual answer <b>max</b> level 1.</p> <p><b>Level 1 (1–2 marks)</b> [1 mark] candidate identifies <b>one</b> benefit/drawback of accepting restrictive contracts with no use of context.</p> <p>[2 marks] candidate identifies <b>more than one</b> benefit/drawback of accepting restrictive contracts with no use of context.</p>

Question	Answer	Marks	Guidance
	<p>motorcycle (<b>L3</b>). Such a relatively small cost could lead to a significant improvement in Tom's work-life balance. However given that Tom has to return two hours later (<b>CONT</b>) to check the cleaning and pay the 'dirty building charge', he would get only a small amount of time on his motorcycle, so the cost may not be worth it (<b>L4</b>).</p>		<p><b>Level 2 (3–5 marks) Look for something more than Tom/Fun Ice.</b>  [3 marks] candidate applies understanding to suggest <b>one</b> benefit/drawback to <i>Fun Ice</i> of accepting the proposed service contract with Commercial Clean plc.  [4–5 marks] candidate applies understanding to suggest <b>more than one</b> benefit/drawback to <i>Fun Ice</i> of accepting the proposed service contract with Commercial Clean plc.</p> <p><b>Level 3 (6–9 marks)</b>  [6 marks] candidate analyses <b>one</b> benefit/drawback to <i>Fun Ice</i> of accepting the proposed service contract with Commercial Clean plc.  [7–9 marks] candidate analyses <b>more than one</b> benefit/drawback to <i>Fun Ice</i> of accepting the proposed service contract with Commercial Clean plc.</p> <p><b>Level 4 (10–14 marks)</b>  [10 marks] candidate makes a <b>weak</b> evaluation of the benefit(s)/drawback(s) to <i>Fun Ice</i> of accepting the proposed service contract with Commercial Clean plc, supported by previous analysis.  [11–12 marks] candidate makes a <b>detailed</b> evaluation of the benefit(s)/drawback(s) to <i>Fun Ice</i> of accepting the proposed service contract with Commercial Clean plc, supported by previous analysis.  [13–14 marks] candidate makes a <b>detailed and specific</b> evaluation of the benefit(s)/drawback(s) to <i>Fun Ice</i> of accepting the proposed service contract with Commercial Clean plc, supported by previous analysis.</p> <p><b>Level annotation required.</b></p>

Question		Answer	Marks	Guidance
3	(a)	<p>Indicative content:</p> <ul style="list-style-type: none"> <li>• burden of proof</li> <li>• courts used</li> <li>• purpose</li> <li>• remedies</li> <li>• public law/private law</li> <li>• the parties involved.</li> </ul> <p>Exemplar responses: Eg Burden of proof in a criminal case is 'beyond all reasonable doubt' (1), whereas in a civil case it is only 'on the balance of probabilities' (1).</p> <p>Eg In criminal law it is the State which takes action against offenders (1), whereas in civil law it is the person who is wronged who takes action (1).</p> <p>Eg The main aim of criminal law is to punish the offender (1), whereas the main aim of civil law is to compensate the victim (1).</p>	8	<p>AO1 4 AO2 4</p> <p>One mark for each correct identification, up to a maximum of four identifications, plus a further one mark for each of four developments.</p> <p>Do <b>not</b> award answers which get the differences the wrong way round, eg do <b>not</b> award 'Civil cases are heard in Magistrates' or Crown Courts, whereas criminal cases are dealt with in County Courts and the High Court'.</p> <p>Accept 'criminal law involves the police'. Accept 'civil law involves private disputes'.</p>
	(b)	<p>Indicative content:</p> <ul style="list-style-type: none"> <li>• House of Lords</li> <li>• House of Commons</li> <li>• Houses of Parliament</li> <li>• the Monarchy.</li> </ul> <p>Exemplar responses: Eg House of Lords (1).</p> <p>Eg The Commons (1).</p> <p>Eg The Queen (1).</p>	2	<p>AO1 2</p> <p>One mark for each correct identification up to a maximum of two identifications.</p> <p>Watch out for repetition – 'Houses of Parliament' cannot be awarded with House of Lords or House of Commons.</p>

Question	Answer	Marks	Guidance
(c)*	<p>Use levels of response criteria.</p> <p>Indicative content:</p> <ul style="list-style-type: none"> <li>• duty of care to visitors</li> <li>• liability includes buildings and outdoors</li> <li>• lawful visitors – Grace and her mother</li> <li>• trespassers – Torquil</li> <li>• lawful visitors – liability for personal injury and property</li> <li>• trespassers – liability for personal injury only</li> <li>• Incident One whose fault? – Tom’s/cleaner’s/Grace’s/ Grace’s mother’s?</li> <li>• Incident Two whose fault? –Tom’s/cleaner’s /Torquil’s?</li> <li>• reasonable care</li> <li>• injuries/harm – upset stomach/dislocated knee</li> <li>• damage to property – designer top/mobile phone</li> <li>• Tom aware of dangers?</li> </ul> <p>Eg Customers are lawful visitors in a shop (L1). Grace being only three years old (CONT) could not be expected to understand the dangers of the contaminated water and, therefore Occupiers’ liability would therefore make <i>Fun Ice</i> liable for the harm to Grace and the damage to her top (L2). Tom may argue that he was not aware of the bucket because it was left by the cleaner the previous night. This argument has no legal weight. Even though Tom did not put it there, it was his job to check that the property was safe for visitors (L3). Torquil, however, was not a customer in the shop, and should not have been using <i>Fun Ice</i>’s back yard (CONT) as a short cut to the beach (L2). Tom could argue that, not only should Torquil not have been on the property, but that the dislocation of Torquil’s knee was entirely his own fault because Torquil</p>	14	<p>AO1 2 AO2 3 AO3 4 AO4 5</p> <p>QWC is assessed with this question.</p> <p><b>Level 4 (10–14 marks)</b> Candidate evaluates <i>Fun Ice</i>’s current position with regard to occupiers’ liability legislation.</p> <p><b>Level 3 (6–9 marks)</b> Candidate analyses <i>Fun Ice</i>’s current position with regard to occupiers’ liability legislation.</p> <p><b>Level 2 (3–5 marks)</b> Candidate applies knowledge and understanding of occupiers’ liability legislation to <i>Fun Ice</i>’s current position.</p> <p><b>Level 1 (1–2 marks)</b> Candidate identifies factor(s) relevant to occupiers’ liability with no use of context.</p> <p><b>Please indicate each time a candidate achieves a particular level as this will help you to allocate the marks within that level.</b></p> <p><b>Context should be annotated every time L2/L4 is awarded with the icon ‘CONT’.</b></p> <p>Non-contextual answer <b>max</b> level 1.</p> <p><b>Level 1 (1–2 marks)</b> [1 mark] candidate identifies <b>one</b> factor of relevance to occupiers’ liability but with no use of context. [2 marks] candidate identifies <b>more than one</b> factor of relevance to occupiers’ liability but with no use of context.</p>

Question	Answer	Marks	Guidance
	<p>was texting on his mobile phone rather than looking what he was doing when he tripped (<b>L3</b>). Whilst Tom's liability for the injuries to Torquil are likely to be significantly reduced by Torquil's own contributory negligence, this is not the case in Incident One. Tom is likely to be held liable for this incident and required to pay full compensation. Thankfully, the incident was not as serious as it could have been – the stomach ache (<b>CONT</b>) only lasted three days and so compensation levels would be low. Tom should be grateful that the bleach was not more toxic as that could have resulted in Grace's death. A much larger compensation claim, coupled with bad publicity, may well have crippled his business (<b>L4</b>).</p>		<p><b>Level 2 (3–5 marks) Look for something more than Tom/Fun Ice.</b>  [3 marks] candidate applies understanding to suggest <b>one</b> factor of relevance to <i>Fun Ice</i>'s current position with regard to occupiers' liability.  [4–5 marks] candidate applies understanding to suggest <b>more than one</b> factor of relevance to <i>Fun Ice</i>'s current position with regard to occupiers' liability.</p> <p><b>Level 3 (6–9 marks)</b>  [6 marks] candidate analyses <b>one</b> factor of relevance to <i>Fun Ice</i>'s current position with regard to occupiers' liability.  [7–9 marks] candidate analyses <b>more than one</b> factor of relevance to <i>Fun Ice</i>'s current position with regard to occupiers' liability.</p> <p><b>Level 4 (10–14 marks)</b>  [10 marks] candidate gives a <b>weak</b> justification about <i>Fun Ice</i>'s current position with regard to occupiers' liability supported by previous analysis.  [11–12 marks] candidate gives a <b>detailed</b> justification about <i>Fun Ice</i>'s current position with regard to occupiers' liability supported by previous analysis.  [13–14 marks] candidate gives a <b>detailed and specific</b> justification about <i>Fun Ice</i>'s current position with regard to occupiers' liability supported by previous analysis.</p> <p><b>Level annotation required.</b></p>

Question		Answer	Marks	Guidance
4	(a)	<p>Indicative content:</p> <ul style="list-style-type: none"> <li>• not a legal requirement</li> <li>• document created to govern a partnership</li> <li>• how profits are split</li> <li>• roles/responsibilities</li> <li>• dissolution procedures</li> <li>• overrules the provisions of the Partnership Act.</li> </ul> <p>Exemplar responses:</p> <p>Eg A document which outlines how any profits in the partnership will be shared (1). Having such a document should minimise future disputes (1).</p> <p>Eg A document which overrules the Partnership Act (1). This allows the partners to write into their partnership agreement that they may receive a salary or claim sick pay (1).</p> <p>Eg It is not a legal requirement (1) but, because it contains details of the roles and responsibilities of the partners, it is advisable to create one (1).</p>	2	<p>AO1 2</p> <p>Up to two marks.</p>

Question		Answer	Marks	Guidance
	(b) (i)	<p>Indicative content:</p> <ul style="list-style-type: none"> <li>• name of company</li> <li>• states Ltd or plc</li> <li>• registered address</li> <li>• objects clause/purpose/intention</li> <li>• liability of members – limited</li> <li>• details of authorised share capital (including names/addresses of founding shareholders)</li> <li>• signatures of founding shareholders.</li> </ul> <p>Exemplar responses:</p> <p>Eg The objects clause (1). This outlines the operational remit of the company (1).</p> <p>Eg A statement that the liability of the shareholders is limited (1) as a warning to potential suppliers (1).</p> <p>Eg The name of the company (1) with Ltd or plc after its name depending on whether it is a private or public limited company (1).</p>	6	<p>AO1 3 AO2 3</p> <p>One mark for each correct identification up to a maximum of three identifications, plus a further one mark for each of three developments.</p> <p>Accept explanations relating to content or purpose.</p> <p>'Address' too vague, must be registered address. Accept 'where registered'.</p> <p>Do <b>not</b> accept 'objectives' as referring to objects clause.</p> <p>Do <b>not</b> accept 'name of partners'.</p> <p><b>No</b> context required.</p>

Question	Answer	Marks	Guidance
	<p>(ii) Indicative content:</p> <ul style="list-style-type: none"> <li>• issue and transfer of shares</li> <li>• the voting rights of different share types</li> <li>• how/when AGMs called</li> <li>• payment of dividends</li> <li>• names and responsibilities of directors</li> <li>• signed declaration.</li> </ul> <p>Exemplar responses:</p> <p>Eg Payment of dividends (1) so that all shareholders know how and when these will be received (1).</p> <p>Eg The names and responsibilities of the directors will be included (1) so that it is a matter of public record who is controlling the company (1).</p> <p>Eg The voting rights of different types of shareholders (1). Ordinary shareholders are usually allowed a vote but preference shareholders, who take less of a risk, may not (1).</p>	6	<p>AO1 3 AO2 3</p> <p>One mark for each correct identification up to a maximum of three identifications, plus a further one mark for each of three developments.</p> <p>Accept explanations relating to content or purpose.</p> <p>‘Day to day running’ too vague.</p> <p>‘Rules of business’ too vague.</p> <p><b>No</b> context required.</p>

Question	Answer	Marks	Guidance
(c)	<p>Use levels of response criteria.</p> <p>Indicative content:</p> <p><b>Partnership:</b></p> <ul style="list-style-type: none"> <li>• unlimited liability</li> <li>• jointly and severally liable</li> <li>• tight control</li> <li>• difficulty of obtaining finance from banks</li> <li>• capital sourced from partner's savings</li> <li>• partners keep all profits</li> <li>• Income Tax</li> <li>• minimal start-up requirements</li> <li>• no published accounts</li> <li>• governed by Partnership Act.</li> </ul> <p><b>Private Limited Company:</b></p> <ul style="list-style-type: none"> <li>• limited liability</li> <li>• separate legal entity</li> <li>• weaker control</li> <li>• financial institutions more willing to lend</li> <li>• greater access to capital via shareholders</li> <li>• pay dividends/share profit</li> <li>• Corporation Tax</li> <li>• many legal requirements</li> <li>• must publish accounts</li> <li>• governed by Companies Acts.</li> </ul> <p>Eg Tom is likely to be able to keep tighter control of <i>Fun Ice</i> if the business becomes a partnership rather than a private limited company (<b>L1</b>). Given the success Tom has seen in the first five years of trading (<b>CONT</b>) he is unlikely to want to relinquish his control any more than he has to (<b>L2</b>). However, being a private limited company would mean that he could issue shares to family and friends,</p>	14	<p>AO1 2 AO2 3 AO3 4 AO4 5</p> <p><b>Level 4 (10–14 marks)</b> Candidate evaluates the advantage(s)/disadvantage(s) to Tom/<i>Fun Ice</i> of becoming a partnership rather than a private limited company.</p> <p><b>Level 3 (6–9 marks)</b> Candidate analyses the advantage(s)/disadvantage(s) to Tom/<i>Fun Ice</i> of becoming a partnership rather than a private limited company.</p> <p><b>Level 2 (3–5 marks)</b> Candidate applies knowledge and understanding of the advantage(s)/disadvantage(s) to Tom/<i>Fun Ice</i> of becoming a partnership rather than a private limited company.</p> <p><b>Level 1 (1–2 marks)</b> Candidate identifies advantage(s)/disadvantage(s) of being a partnership rather than a private limited company with no use of context.</p> <p><b>Please indicate each time a candidate achieves a particular level as this will help you to allocate the marks within that level.</b></p> <p><b>Context should be annotated every time L2/L4 is awarded with the icon 'CONT'.</b></p> <p>Non-contextual answer <b>max</b> level 1.</p> <p><b>Level 1 (1–2 marks)</b> [1 mark] candidate identifies <b>one</b> advantage/disadvantage of being a partnership rather than a private limited company with no use of context. [2 marks] candidate identifies <b>more than one</b> advantage/disadvantage of being a partnership rather than a private limited company with no use of context.</p>

Question	Answer	Marks	Guidance
	<p>potentially raising much more capital than by taking on a partner <b>(L1)</b>. This would give <i>Fun Ice</i> a larger deposit to put down on the mortgages for the five properties <b>(CONT)</b> it requires <b>(L2)</b>, not only making the bank more likely to offer <i>Fun Ice</i> the money <b>(L3)</b> but also making the monthly payments cheaper for the company <b>(L3)</b>. Overall I recommend that <i>Fun Ice</i> should become a private limited company rather than a partnership, not only because of the additional funding to buy the property, but because the business will be taking on debt. Tom needs limited liability protection in order to ensure that if the business does fail he would not lose his home and his precious Harley-Davidson <b>(CONT) (L4)</b>.</p>		<p><b>Level 2 (3–5 marks) Look for something more than Tom/<i>Fun Ice</i>.</b>  [3 marks] candidate applies understanding to suggest <b>one</b> advantage/disadvantage to Tom/<i>Fun Ice</i> of becoming a partnership rather than a private limited company.  [4–5 marks] candidate applies understanding to suggest <b>more than one</b> advantage/disadvantage to Tom/<i>Fun Ice</i> of becoming a partnership rather than a private limited company.</p> <p><b>Level 3 (6–9 marks)</b>  [6 marks] candidate analyses <b>one</b> advantage/disadvantage to Tom/<i>Fun Ice</i> of becoming a partnership rather than a private limited company.  [7–9 marks] candidate analyses <b>more than one</b> advantage/disadvantage to Tom/<i>Fun Ice</i> of becoming a partnership rather than a private limited company.</p> <p><b>Level 4 (10–14 marks)</b>  [10 marks] candidate gives a <b>weak but contextualised</b> justification for their decision supported by previous analysis.  [11–12 marks] candidate gives a <b>detailed contextualised</b> justification for their decision supported by previous analysis.  [13–14 marks] candidate gives a <b>detailed and specific contextualised</b> justification for their decision supported by previous analysis.</p> <p><b>Level annotation required.</b></p>

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