

UNIVERSITY OF BOLTON

**SCHOOL OF THE BUILT ENVIRONMENT &
ENGINEERING**

**BSc(HONS) IN ARCHITECTURAL TECHNOLOGY
BSc(HONS) IN BUILDING SURVEYING & PROPERTY
MANAGEMENT**

**BSc(HONS) IN CONSTRUCTION
BSc(HONS) IN CONSTRUCTION MANAGEMENT
BSc(HONS) IN QUANTITY SURVEYING &
COMMERCIAL MANAGEMENT**

SEMESTER TWO EXAMINATION 2008/2009

BUSINESS ENVIRONMENT

MODULE NO: BLT1001

Date: Tuesday 26 May 2009

Time: 10.00 am – 1.00 pm

INSTRUCTIONS TO CANDIDATES:

This paper contains SIX questions.

Answer ANY FIVE questions.

ALL questions carry equal marks.

Marks for parts of questions are shown in brackets.

Economics Section

1. Deane Construction is currently constructing some speculative housing in Bolton. The firm forecast that based on previous developments, these can be sold for in the region of £106,000 each (P_1). They anticipate that the demand at this value will be 50 customers (D_1), allowing the market to achieve equilibrium (E_1) at this price.
- a Using a supply and demand diagram to illustrate your answer. Explain the effects of an increase in the price of the properties on both anticipated demand and the market equilibrium. (4 Marks)
- b Discuss how an increase in the availability of mortgages would impact on the demand for housing. (4 Marks)
- c Calculate the price sensitivity (Price Elasticity of Demand) for the same development should Deane Developments decide to increase the price to £125,000 per unit (P_2), with a forecast demand of 37 sales (D_2). Assuming *ceteris paribus*. (12 Marks)

Total 20 Marks

- 2a Using diagrams to illustrate your answer, explain the principle of profit maximisation. (6 Marks)
- b Economists believe profit maximisation to be the fundamental objective of the firm, describe why this may not always be the case. (14 Marks)

Total 20 Marks

- 3a Define the meaning of "Gross Domestic Product" (2 Marks)
- b Identify and describe three methods used to measure GDP in the UK (9 Marks)
- c "GDP is an important economic indicator for governments" discuss the relative merits of this statement. (9 Marks)

Total 20 Marks

Please turn the page

Law Section

4. UoB Ltd is a Carpentry firm, specialising in hand made furniture and windows and doors. On 4th Jan 2008, the Company sent a brochure to Buyer Ltd, advertising the Company's products. Jean acting on behalf of Buyer Ltd telephoned UoB Ltd and told Bill the Company Sales Director that Buyer Ltd wished to purchase windows and doors priced in the brochure at approximately £45,000. Bill told Jean to submit an order form which was enclosed in the brochure.

Jean completed the order form and sent it to UoB Ltd together with a covering letter which concluded with the following statement,

"Please note that all orders are submitted subject to Buyers terms and conditions, a copy of which is available on request."

The products were delivered on 6th Feb 2008, together with an invoice for £50,000 stated to be "payable in full within 14 days of delivery". Jean telephoned Bill to complain about the increase in price. However Bill advised her that the order form clearly states that goods were supplied "subject to UoB Ltd's terms and conditions contained within the brochure" and one of the terms stated in the small print was that "UoB Ltd reserves the right to increase the price of its products by up to 20% without notice".

Jean replied that the purchase had been made subject to Buyer Ltd terms: one of which clearly stated that "the price for the product is fixed as at the date of the order and Buyer Ltd will not accept any increase in that price".

Advise UoB Ltd.

20 Marks

Please turn the page

5. Vernon Smith Ltd is a building firm in Bury, whose head office is a large Victorian property on the outskirts of the town.

One evening, Oliver a 16 year old youth, climbs up a drain pipe in an attempt to gain entry to the offices through an open window. He falls as the drain pipe is not securely attached to the wall, and breaks his arm and his leg.

Mavis is the cleaning lady and arrives every morning to clean the offices. Unfortunately she is electrocuted whilst using the vacuum cleaner. The wiring has been left in a dangerous condition following the repair of some electrics the day before by Ken, the apprentice electrician. He had been working under the supervision of Stan, who had been having a snooze in the van outside at the time.

Ursula is the 7 year old daughter of the family who live in the house next door. She had climbed over the wall, into the yard of the building firm, in order to retrieve her ball. She has done this several times in the past with the express permission of the managing director of the company, under his supervision. This time, as it is the weekend there is no-one around to ask, so Ursula assumes as she has done it before it would be OK to do it again. Ursula trips on some rope and treads through a pane of glass which severely lacerates her foot.

Discuss and advise Vernon Smith Ltd of their potential problems in this area.

20 Marks

Please turn the page

6. Rachel is considering purchasing a freehold house from Robin. The title is unregistered and through an investigation of the title documents and an inspection of the property Rachel's solicitor has found the following:
- i. Two sets of restrictive covenants, one made in 1912 and 1975.
 - ii. The next door neighbour uses a track across the bottom of the garden as access to a garage, which cannot be reached in any other way. Robin has told Rachel that this is just an "informal agreement" which he made with the neighbour "a few years ago".
 - iii. Although Robin appears to be living alone in the property, there are some items in a back bedroom, which do not appear to be Robin's and there is a Class F Land Charge (Right of Occupation of the Matrimonial Home – Family Law Act 1996) registered against Robin's name at the Land Charges Registry.
- a How might these matters affect Rachel's title to the property?
- b Explain the difference between the unregistered and registered status of this title.
- c Would your answer be different if the title were registered?

20 Marks

END OF QUESTIONS