

UNIVERSITY OF BOLTON

**SCHOOL OF THE BUILT ENVIRONMENT &
ENGINEERING**

**BSc(HONS) ARCHITECTURAL TECHNOLOGY
BSc(HONS) BUILDING SURVEYING AND PROPERTY
MANAGEMENT**

**BSc(HONS) CONSTRUCTION MANAGEMENT
BSc(HONS) QUANTITY SURVEYING AND
COMMERCIAL MANAGEMENT**

SEMESTER TWO EXAMINATION 2009/2010

BUSINESS ENVIRONMENT

MODULE NO: BLT1001

Date: Tuesday 1 June 2010

Time: 10.00 am – 1.00 pm

INSTRUCTIONS TO CANDIDATES:

There are SIX questions.

Answer ANY FIVE questions.

All questions carry equal marks.

Marks for parts of questions are shown in brackets.

Use one answer book for questions from Section A and one answer book for questions from Section B.

School of the Built Environment & Engineering
BSc(Hons) AT/BSPM/CM/QSCM
Semester Two Examination 2009/2010
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Section A:
Construction and Property Economics

Question One

- a. Define the meaning of the term 'Externalities' in context of market failure.

(8 Marks)

- b. Explain why "Aggregate Tax" can be seen as a solution to *market failure* in the aggregate supply industry.

(12 Marks)

Total 20 Marks

Question Two

- a) The January edition of 'Construction Manager' (CIOB, 2010) revealed that recent fires in partially completed timber framed buildings had prompted insurers to re-appraise risk and increase the insurance premiums paid by constructors of such schemes.

Explain and illustrate, with the use of demand and supply diagrams, how this will impact on the use of timber frame construction.

(8 Marks)

- b) Define the terms price and income elasticity of demand.

(4 Marks)

- c) Explain how price elasticity is measured and its importance to built environment professionals.

(8 Marks)

Total 20 Marks

Please turn the page

School of the Built Environment & Engineering
BSc(Hons) AT/BSPM/CM/QSCM
Semester Two Examination 2009/2010
Business Environment
Module No. BLT1001

Question Three

ABC Construction currently has five projects on-site with a total value of £2.5m, each worth £500,000, over a 12 month period. The Jobs were priced inclusive of a 16% mark up on tender value to cover head office costs, which amount to £500,000 per annum, and profits. The projects have been going well and although one is over budget because of unexpected drainage problems this was, however, compensated for by two other projects which benefited from a spell of good weather. The Cost – Value reconciliations show the firm is meeting its targets. The Firm has, however, been invited to tender for a new build supermarket for a national chain for whom they never worked before. In order to take on the task the firm would have to employ additional site staff, however, the head office would cope and not require expansion. The current market is very competitive so to win the work the firm must cut the mark up to 3% of total site costs of £1m.

- a) Using the theory of profit maximisation, calculate if it is advisable for the firm to go ahead with this tender?
(10 Marks)
- b) Are there any other considerations, apart from the impact on profits, which would be relevant to this decision?
(10 Marks)

Total 20 Marks

Please turn the page

School of the Built Environment & Engineering
BSc(Hons) AT/BSPM/CM/QSCM
Semester Two Examination 2009/2010
Business Environment
Module No. BLT1001

Section B:
Law for the Built Environment

Question Four

Scenario

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

School of the Built Environment & Engineering
BSc(Hons) AT/BSPM/CM/QSCM
Semester Two Examination 2009/2010
Business Environment
Module No. BLT1001

Question Five

Scenario

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

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BSc(Hons) AT/BSPM/CM/QSCM
Semester Two Examination 2009/2010
Business Environment
Module No. BLT1001

Question Six

Scenario

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 things:

- 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?

(6 marks)

(b) Explain the difference between the unregistered and registered status of this title.

(7 marks)

(c) Would your answer be different if the title were registered?

(7 marks)

Total 20 Marks

END OF QUESTIONS