

3.1: Sources of Finance: Exam Practice Question

attractive because the company has seen its passenger numbers rise markedly over previous years. Capital raised from the share issue is earmarked to support the purchase of new aircraft as part of the group's plans for a rapid expansion during the next few years, which includes the addition of 32 new Boeing 737-700s, more than doubling the size of the fleet.

25 MARKS, 45 MINUTES

1. Define the terms:
 - a. Public limited company
 - b. Share price

[4 marks]
2. Outline **two** possible sources of long-term finance available to easyJet.

[5 marks]
3. Explain why an expansion in easyJet's passenger numbers has increased the need for short-term and long-term finance.

[6 marks]
4. Evaluate the view that easyJet's decision to raise long-term finance by selling shares is preferable to raising it through borrowing.

[10 marks]