**Chapter 4: Equities**

**Case Study: Fuelmonitor LTD**

Fuelmonitor LTD is a company that has been recently set up to provide details of the cheapest car fuel prices in the subscribers’ local area by email each week. Fuelmonitor hopes to generate revenues both from subscription and from site sponsorship. Fuelmonitor was set up by Patrick Brightman, who paid £300 for all 30 shares that Fuelmonitor issued.

During the first months of its existence, Patrick has set up a website for Fuelmonitor and researched fuel prices in his local area. Fuelmonitor has attracted some subscribers and has a local newspaper interested in sponsoring the site. It now needs more finance to expand and is planning to issue new equity. Patrick has a list of contacts that he feels may be interested in buying the 20 new shares Fuelmonitor will issue.

**Questions**:

1. How much should Fuelmonitor issue the new shares for? £10, less than £10 or more than £10?
2. After issuing the new shares what will Patrick’s ownership proportion of Fuelmonitor be?
3. What will the new shareholders’ ownership proportion of Fuelmonitor be?
4. How might the shareholders of Fuelmonitor LTD get a return on their investment?