

- (e) Evaluate whether crowdfunding is an effective source of finance for Good and Proper Tea. You should use the information provided as well as your knowledge of business.

(12)

Crowdfunding is an external, long term source of finance through a website. Investors can invest in the business and in return they receive shares of or free/discounted products.

Crowdfunding is ineffective source of finance for the mobile brew bar as it doesn't increase the risk profile of the <sup>drinks</sup> business. This is because there is no interest that needs to be paid on the source of finance so ~~that~~ therefore fixed costs stay the same and therefore the brew bar won't have to sell more cups of tea to generate contribution. Therefore sales <sup>of tea</sup> won't have to increase to maintain the profit level, thus they will not make losses.

However retained profit may be a better source of finance in the long term as you don't have to give investors of the drinks shop part of Emilie's business thus you have more control over the business <sup>therefore you can make more choices</sup> i.e. what type of teas/leaves to use.

~~Therefore~~  
In conclusion it depends whether the business is looking for a long term or short term finance and whether it has retained profit that it can use if not crowdfunding may be better.