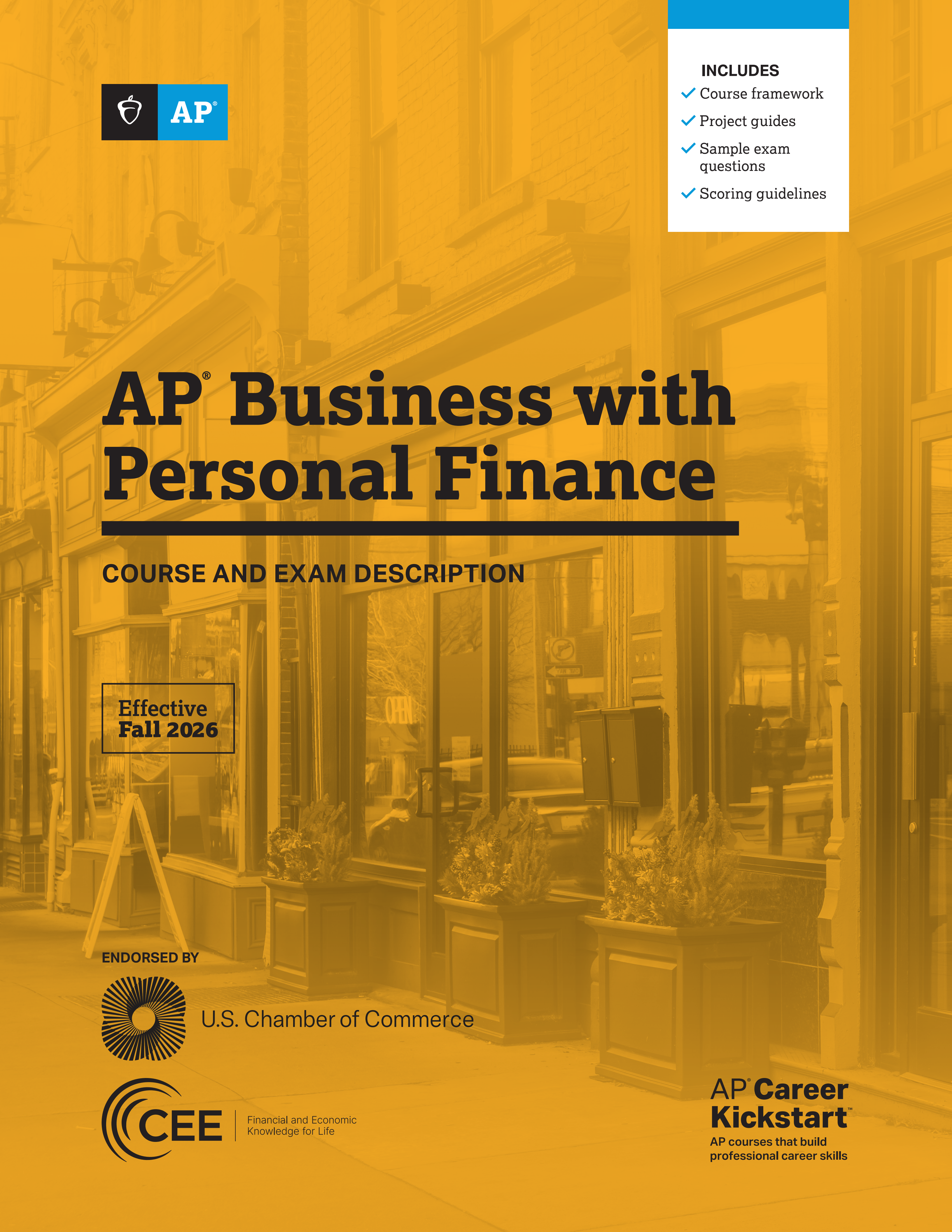

INCLUDES
- Course framework
- Project guides
- Sample exam questions
- Scoring guidelines

AP® Business with Personal Finance

COURSE AND EXAM DESCRIPTION

Effective
Fall 2026

ENDORSED BY

U.S. Chamber of Commerce

CEE | Financial and Economic Knowledge for Life

AP® **Career Kickstart**™
AP courses that build professional career skills

AP® Business with Personal Finance

COURSE AND EXAM DESCRIPTION

Effective
Fall 2026

AP COURSE AND EXAM DESCRIPTIONS ARE UPDATED PERIODICALLY

Please visit **AP Central** to determine whether a more recent course and exam description is available.

What AP® Stands For

Thousands of Advanced Placement teachers have contributed to the principles articulated here. These principles are not new; they are, rather, a reminder of how AP already works in classrooms nationwide. The following principles are designed to ensure that teachers' expertise is respected, required course content is understood, and students are academically challenged and free to make up their own minds.

1. AP stands for clarity and transparency. Teachers and students deserve clear expectations. The Advanced Placement Program makes public its course frameworks and sample assessments. Confusion about what is permitted in the classroom disrupts teachers and students as they navigate demanding work.
2. AP is an unflinching encounter with evidence. AP courses enable students to develop as independent thinkers and to draw their own conclusions. Evidence and the scientific method are the starting place for conversations in AP courses.
3. AP opposes censorship. AP is animated by a deep respect for the intellectual freedom of teachers and students alike. If a school bans required topics from their AP courses, the AP Program removes the AP designation from that course and its inclusion in the AP Course Ledger provided to colleges and universities. For example, the concepts of evolution are at the heart of college biology, and a course that neglects such concepts does not pass muster as AP Biology.
4. AP opposes indoctrination. AP students are expected to analyze different perspectives from their own, and no points on the AP Exam are awarded for agreement with any specific viewpoint. AP students are not required to feel certain ways about themselves or the course content. AP courses instead develop students' abilities to assess the credibility of sources, draw conclusions, and make up their own minds.

   As the AP English Literature course description states: "AP students are not expected or asked to subscribe to any one specific set of cultural or political values, but are expected to have the maturity to analyze perspectives different from their own and to question the meaning, purpose, or effect of such content within the literary work as a whole."
5. AP courses foster an open-minded approach to the histories and cultures of different peoples. The study of different nationalities, cultures, religions, races, and ethnicities is essential within a variety of academic disciplines. AP courses ground such studies in primary sources so that students can evaluate experiences and evidence for themselves.
6. Every AP student who engages with evidence is listened to and respected. Students are encouraged to evaluate arguments but not one another. AP classrooms respect diversity in backgrounds, experiences, and viewpoints. The perspectives and contributions of the full range of AP students are sought and considered. Respectful debate of ideas is cultivated and protected; personal attacks have no place in AP.
7. AP is a choice for parents and students. Parents and students freely choose to enroll in AP courses. Course descriptions are available online for parents and students to inform their choice. Parents do not define which college-level topics are suitable within AP courses; AP course and exam materials are crafted by committees of professors and other expert educators in each field. AP courses and exams are then further validated by the American Council on Education and studies that confirm the use of AP scores for college credits by thousands of colleges and universities nationwide.

The AP Program encourages educators to review these principles with parents and students so they know what to expect in an AP course. Advanced Placement is always a choice, and it should be an informed one. AP teachers should be given the confidence and clarity that once parents have enrolled their child in an AP course, they have agreed to a classroom experience that embodies these principles.

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Acknowledgments

The Advanced Placement Program would like to acknowledge the following committee members, consultants, and reviewers for their assistance with and commitment to the development of this course. All individuals and their affiliations were current at the time of contribution.

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About AP

The Advanced Placement® Program (AP®) enables willing and academically prepared students to pursue college-level studies—with the opportunity to earn college credit, advanced placement, or both—while still in high school. Through AP courses in more than 40 subjects, each culminating in a challenging exam, students learn to think critically, construct solid arguments, and see many sides of an issue—skills that prepare them for college and beyond. Taking AP courses demonstrates to college admission officers that students have sought the most challenging curriculum available to them, and research indicates that students who score a 3 or higher on an AP Exam typically experience greater academic success in college and are more likely to earn a college degree than non-AP students. Each AP teacher's syllabus is evaluated and approved by faculty from some of the nation's leading colleges and universities, and AP Exams are developed and scored by college faculty and experienced AP teachers. Most four-year colleges and universities in the United States grant credit, advanced placement, or both on the basis of successful AP Exam scores—more than 3,300 institutions worldwide annually receive AP scores.

AP Course Development

In an ongoing effort to maintain alignment with best practices in college-level learning, AP courses and exams emphasize challenging, research-based curricula aligned with higher education expectations.

Individual teachers are responsible for designing their own curriculum for AP courses, selecting appropriate college-level readings, assignments, and resources. This course and exam description presents the content and skills that are the focus of the corresponding college course and that appear on the AP Exam. It also organizes the content and skills into a series of units that represent a sequence found in widely adopted college textbooks and that many AP teachers have told us they follow in order to focus their instruction. The intention of this publication is to respect teachers' time and expertise by providing a roadmap that they can modify and adapt to their local priorities and preferences.

Enrolling Students: Access, Opportunity, and Readiness

The AP Program welcomes all students willing to challenge themselves with college-level coursework and career preparation. We strongly encourage educators to invite students into AP classes, including students from ethnic, racial, socioeconomic, geographic, or other groups not broadly participating in a school's AP program. We believe that readiness for AP is attainable, and that educators can expand readiness by opening access to Pre-AP course work. We commit to support educators and communities in their efforts to make AP courses widely available, advancing students in their plans for college and careers.

Offering AP Courses: The AP Course Audit

The AP Program unequivocally supports the principle that each school implements its own curriculum that will enable students to develop the content understandings and skills described in the course framework.

While the unit sequence represented in this publication is optional, the AP Program does have a short list of curricular and resource requirements that must be fulfilled before a school can label a course "Advanced Placement" or "AP." Schools wishing to offer AP courses must participate in the AP Course Audit, a process through which AP teachers' course materials are reviewed by college faculty. The AP Course Audit was created to provide teachers and administrators with clear guidelines on curricular and resource requirements for AP courses and to help colleges and universities validate courses marked "AP" on students' transcripts. This process ensures that AP teachers' courses meet or exceed the curricular and resource expectations that college and secondary school faculty have established for college-level courses.

The AP Course Audit form is submitted by the AP teacher and the school principal (or designated administrator) to confirm awareness and understanding of the curricular and resource requirements. A syllabus or course outline, detailing how course requirements are met, is submitted by the AP teacher for review by college faculty.

Please visit the **AP Course Audit** website for more information to support the preparation and submission of materials for the AP Course Audit.

How the AP Program Is Developed

The scope of content for an AP course and exam is derived from an analysis of hundreds of syllabi and course offerings of colleges and universities. Using this research and data, a committee of college faculty and expert AP teachers work within the scope of the corresponding college course to articulate what students should know and be able to do upon the completion of the AP course. The resulting course framework is the heart of this course and exam description and serves as a blueprint of the content and skills that can appear on an AP Exam.

The AP Test Development Committees are responsible for developing each AP Exam, ensuring the exam questions are aligned to the course framework. The AP Exam development process is a multiyear endeavor; all AP Exams undergo extensive review, revision, piloting, and analysis to ensure that questions are accurate, fair, and valid, and that there is an appropriate spread of difficulty across the questions.

Committee members are selected to represent a variety of perspectives and institutions (public and private, small and large schools and colleges), and a range of gender, racial/ethnic, and regional groups. A list of contributing institutions for each subject is available on **AP Central**.

Throughout AP course and exam development, College Board gathers feedback from various stakeholders in both secondary schools and higher education institutions. This feedback is carefully considered to ensure that AP courses and exams are able to provide students with a college-level learning experience and the opportunity to demonstrate their qualifications for advanced placement and/or college credit.

How AP Exams Are Scored

The exam scoring process, like the course and exam development process, relies on the expertise of both AP teachers and college faculty. While multiple-choice questions are scored by machine, the free-response questions and through-course performance assessments, as applicable, are scored by thousands of college faculty and expert AP teachers. Most are scored at the annual AP Reading, while a small portion is scored online. All AP Readers are thoroughly trained, and their work is monitored throughout the Reading for fairness and consistency. In each subject, a highly respected college faculty member serves as Chief Faculty Consultant and, with the help of AP Readers in leadership positions, maintains the accuracy of the scoring standards. Scores on the free-response questions and performance assessments are weighted and combined with the results of the computer-scored multiple-choice questions, and this raw score is converted into a composite AP score on a 1–5 scale.

AP Exams are **not** norm referenced or graded on a curve. Instead, they are criterion referenced, which means that every student who meets the criteria for an AP score of 2, 3, 4, or 5 will receive that score, no matter how many students that is. The criteria for the number of points a student must earn on the AP Exam to receive scores of 3, 4, or 5—the scores that research consistently validates for credit and placement purposes—include:

- The number of points successful college students earn when their professors administer AP Exam questions to them
- Performance that researchers have found to be predictive of an AP student succeeding when placed into a subsequent higher-level college course
- The number of points college faculty indicate, after reviewing each AP question, that they expect is necessary to achieve each AP grade level

Using and Interpreting AP Scores

The extensive work done by college faculty and AP teachers in the development of the course and exam and throughout the scoring process ensures that AP Exam scores accurately represent students' achievement in the equivalent college course. Frequent and regular research studies establish the validity of AP scores as follows:

AP Score	Credit Recommendation	College Grade Equivalent
5	Extremely well qualified	A
4	Well qualified	A-, B+, B
3	Qualified	B-, C+, C
2	Possibly qualified	n/a
1	No recommendation	n/a

While colleges and universities are responsible for setting their own credit and placement policies, most private colleges and universities award credit and/or advanced placement for AP scores of 3 or higher. Additionally, most states in the U.S. have adopted statewide credit policies that ensure college credit for scores of 3 or higher at public colleges and universities. To confirm a specific college's AP credit/ placement policy, a search engine is available on the **AP Credit Policy Search** page.

BECOMING AN AP READER

Each June, thousands of AP teachers and college faculty members from around the world gather for seven days in multiple locations to evaluate and score the free-response sections of the AP Exams. Ninety-eight percent of surveyed educators who took part in the AP Reading say it was a positive experience.

There are many reasons to consider becoming an AP Reader, including opportunities to:

- **Bring positive changes to the classroom:** Surveys show that the vast majority of returning AP Readers—both high school and college educators—

make improvements to the way they teach or score because of their experience at the AP Reading.

- **Gain in-depth understanding of AP Exam and AP scoring standards:** AP Readers gain exposure to the quality and depth of the responses from the entire pool of AP Exam takers and thus are better able to assess their students' work in the classroom.
- **Receive compensation:** AP Readers are compensated for their work during the Reading. Expenses, lodging, and meals are covered for Readers who travel.
- **Score from home:** AP Readers have online distributed scoring opportunities for certain subjects. Check the **AP Reader** site for details.
- **Earn Continuing Education Units (CEUs):** AP Readers earn professional development hours and CEUs that can be applied to PD requirements by states, districts, and schools.

HOW TO APPLY

Visit the **Become an AP Reader** site for eligibility requirements and to start the application process.

About AP Career Kickstart

AP Career Kickstart courses provide high schools with a new set of AP offerings that prepare students for high-skill, high-growth careers through:

- Instruction in both technical and professional skills
- Emphasis on hands-on, project based learning grounded in authentic scenarios
- Alignment to career and technical education (CTE) and industry standards
- Opportunity to earn an employer-endorsed credential upon achieving a qualifying exam score

Students often recognize the benefits of career exploration while they are still in high school, but many lack access to quality career-focused programs that lead to in-demand jobs. With a proven record of delivering high-quality educational opportunities at scale, the Advanced Placement Program is building AP Career Kickstart courses to ensure nationwide access to outstanding career education that today is only available in some communities.

How AP Career Kickstart Courses Are Developed

Every AP course is designed—and regularly updated—to include current data, evidence, and findings in each discipline. AP courses include the content and skills most frequently taught in introductory college courses, so that students who earn qualifying scores on AP Exams can be placed into upper-division college courses with a strong foundation for success.

AP Career Kickstart courses are built in partnership with industry advisors, higher education faculty, high school educators, and career and technical education (CTE) leaders. These advisors are engaged to evaluate research; recommend course skills, scope, and sequence; and review the course framework and the AP Exam.

Credit and Placement

The AP Program engages faculty from colleges and universities to ensure that AP Career Kickstart courses reflect the academic rigor of introductory college courses in the discipline. Students with qualifying AP Exam scores can earn credit or placement in required or elective courses at colleges and universities.

Credentials and Industry Recognition

The AP Program partners with industry leaders to ensure the course skills align with employer demand for core requirements in high-growth, high-demand jobs. Along with the potential to earn college credit, students with qualifying scores on the AP Exam will earn the AP Career Kickstart Employer-Endorsed Credential. Created in partnership with industry experts, AP Career Kickstart Credentials accelerate students' progress toward in-demand careers and align with the needs of employers, college-level coursework, and secondary CTE programs.

Students can leverage AP Career Kickstart Credentials in their efforts to further their postgraduation plans.

- For students who are considering moving directly to employment after graduation, AP Career Kickstart Credentials can support their applications to internships, apprenticeships, and part- and full-time employment.
- For students who plan to go on to higher education after graduation, two-year and four-year colleges use AP Exam scores to award credit and facilitate placement into associated programs of study.
- Students can list their AP Career Kickstart Credentials on résumés and post them to career-oriented social media platforms.
- After earning AP Career Kickstart Credentials, students are well positioned to earn "stackable" postsecondary and employer-endorsed credentials throughout their education and professional development.

AP Resources and Supports

By completing a simple activation process at the start of the school year, teachers and students receive access to a robust set of classroom resources.

AP Classroom

AP Classroom is a dedicated online platform designed to support teachers and students throughout their AP experience. The platform provides a variety of powerful resources and tools to provide yearlong support to teachers, offering opportunities to give and get meaningful feedback on student progress.

UNIT GUIDES

Appearing in this publication and on AP Classroom, these planning guides outline all required course content and skills, organized into commonly taught units. Each unit guide suggests a sequence and pacing of content, describes how students build skills through the use of business cases and the AP Business Canvas[1] Project, organizes content into topics, and provides tips on preparing students to take the AP Exam.

BUSINESS CASES

Found on AP Classroom, the AP business cases provide engaging, student-friendly case studies featuring a variety of real and fictional businesses. Each case aligns to a course topic and specific course skills. Cases are also accompanied by a teaching note with optional student questions to support classroom instruction. The use of cases as an instructional strategy is a required course component, but the specific AP-provided business cases are not required, nor will they be directly assessed.

1 The Business Canvas Project is a modified Business Model Canvas, which was developed by Strategyzer.com in 2005.

Instructional Model

Integrating AP resources throughout the course can help students develop skills and conceptual understandings. The instructional model outlined below shows possible ways to incorporate AP resources into the classroom.

Plan

Teachers may consider the following approaches as they plan their instruction before teaching each unit.

- Review the overview at the start of each **unit guide** to identify conceptual understandings and skills for each unit.
- Use the **Unit at a Glance** table to identify related topics that build toward a common understanding, and then plan appropriate pacing for students.

Teach

When teaching, supporting resources could be used to build students' conceptual understanding and their mastery of skills.

- Use the topic pages in the **unit guides** to identify the required content.
- Integrate the content with a skill, considering any appropriate scaffolding.
- Employ any of the instructional strategies previously identified.
- Use the available resources, including **business cases** and **Business Canvas Project** applications, to bring a variety of authentic experiences into the classroom.

Assess

Teachers can measure student understanding of the content and skills explored in a unit and provide actionable feedback to students.

- After teaching each topic, offer a formative assessment to check student understanding and provide just-in-time feedback.
- At the end of each unit, create additional practice opportunities that will provide feedback to students on areas where they need to focus.

About the AP Business with Personal Finance Course

AP Business with Personal Finance is an introductory, college-level business and personal finance course. Students explore the business disciplines of entrepreneurship, marketing, finance, accounting, and management through real-world business application, case studies, and project based learning. In addition, students learn and apply all the National Standards for Personal Financial Education created by the Council for Economic Education and the Jump$tart Coalition for Personal Financial Literacy.

AP Career Kickstart, a Group of AP Courses

The "Career Kickstart" designation is awarded to AP courses developed not just with colleges to qualify high school students for college credit, but also with industry leaders and employers, to equip students with the skills needed for specific careers.

College Course Equivalent

The AP Business with Personal Finance course is designed to be the equivalent of a one-semester, college-level introduction to business course.

Prerequisites

There are no specific course prerequisites for AP Business with Personal Finance. Students should be motivated and willing to work both individually and in teams on college-level projects. AP Business with Personal Finance is designed to serve as a foundational course that aligns with multiple Programs of Study within Career and Technical Education (CTE) Business Pathways.

Projects

Through the course, students will apply their learning of business concepts to an entrepreneurial project, the Business Canvas Project. The project will provide students with the opportunity to engage in work-based learning experiences, performing tasks a business founder performs, such as product development, customer research, marketing, and the preparation of financial documents.

The course will culminate with a Financial Advisor Project, in which students will provide financial recommendations to a fictional household based on a fictional financial profile. The recommendation will help the fictional household develop strategies to manage its budget and meet financial goals related to postsecondary education, home buying, retirement, and charitable giving.

Business Cases

Students will develop and practice business decision-making skills through the analysis and discussion of the required business cases used throughout the course. Through business cases, students connect the knowledge and skills they gain in each unit by examining problems and opportunities faced by real-world businesses. While the use of business cases as an instructional strategy is a required course component, teachers may choose to use their own cases in addition to, or in lieu of, those provided by the AP Program.

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AP BUSINESS WITH PERSONAL FINANCE

Course Framework

Introduction

The AP Business with Personal Finance framework is aligned with content and skills prioritized in college-level introductory business courses as well as the National Standards for Personal Financial Education created by the Council for Economic Education and the Jump$tart Coalition for Personal Financial Literacy. The framework is organized into five units that engage students in key business disciplines—entrepreneurship, marketing, finance, accounting, management, and strategy as well as in personal financial literacy—and integrates key skills throughout the course that students need to be successful in subsequent business courses. The focus of the framework is to support students in their learning of introductory business and personal finance content and skills.

Course Framework Components

Overview

This course framework provides a clear and detailed description of the course requirements necessary for student success. The framework specifies what students must know, be able to do, and understand to qualify for college credit and/or placement.

The course framework includes two essential components:

COURSE SKILLS

Business skills, along with professional and leadership skills, are critical to the understanding and application of business and personal finance content. Students should develop and use these skills throughout the course and through application to their own Business Canvas Project, the Financial Advisor Project, and in the analysis of business cases.

COURSE CONTENT

The course content is organized into units that reflect the key business disciplines of entrepreneurship, marketing, finance, accounting, management, and strategy as well as personal finance. These units comprise the content and skills colleges and universities typically expect students to be proficient in to qualify for college credit and/or placement. Unit 1-4 instruction should take place prior to the AP Exam, as this content will be assessed on the exam. Unit 5 instruction may take place before or after the AP Exam, depending on a school's academic calendar.

Course Skills

The table that follows presents the course skills that students should develop during the AP Business with Personal Finance course. Teachers should provide students with frequent opportunities to practice and develop each of the skills throughout the course.

Business Skills

Skill Category 1	Skill Category 2
Concept Application 1 Explain business and personal finance concepts, principles, and strategies, and apply them to scenarios.	*Entrepreneurship* 2 Identify a market opportunity, and develop and test a product idea designed to address the opportunity.
1.A Describe business and personal finance concepts, principles, and strategies.	2.A Identify a market opportunity (e.g., a customer problem, need, or want) and develop a product idea to address it.
1.B Interpret quantitative and qualitative business and personal financial data, performing calculations as appropriate.	2.B Formulate and test business hypotheses to iterate and improve on a product idea.
1.C Using business and personal finance concepts and principles, explain how and why businesses and individuals pursue specific goals, strategies, and actions.	2.C Explain the desirability, viability, and/or feasibility of a product idea.

Course Skills (cont'd)

Professional & Leadership Skills

Skill Category 3	Skill Category 4	Skill Category 5
Decision Making 3 Describe opportunities or problems, and recommend courses of action to address them.	***Communication*** 4 Create authentic communications appropriate for a specific audience and purpose.	***Collaboration*** 5 Work collaboratively with and lead others to accomplish a goal or task.
3.A Describe internal, market, and external factors that affect a business or individual, and explain how and why they create opportunities and/or problems. **3.B** Explain how potential courses of action could capitalize on an opportunity or solve a problem for a business or individual. **3.C** Establish decision-making criteria and use them to systematically evaluate different courses of action a business or individual may take. **3.D** Recommend a decisive course of action for a business or individual, and support the recommendation with persuasive reasoning and evidence.	**4.A** Present business and personal financial data (e.g., data visualizations and financial statements) in accurate, precise, and accessible formats targeted for a specific audience and purpose. **4.B** Create authentic business communications (e.g., surveys, business canvases, and pitches) that are targeted for a specific audience and purpose.	**5.A** Develop clear, shared team objectives related to a business task or project consistent with a vision, mission, and/or goals. **5.B** Define clear roles and responsibilities for members of a team working to accomplish a business task or project. **5.C** Develop and implement effective strategies to motivate individuals and teams to achieve goals related to a business task or project. **5.D** Follow through on agreed-upon deliverables as a part of a team working to accomplish a business task or project.

Course Content

This course framework provides a clear and detailed description of course requirements necessary for student success. The framework specifies what students should know and be able to do, with a focus on business and individual decision making and the internal, market, and external factors that impact business activity and performance as well as individual behavior. The framework also encourages instruction that prepares students for further study across the business disciplines and introduces students to the practices of business case analysis and entrepreneurial thinking.

Units

Units 1-4 in AP Business with Personal Finance and their weightings on the multiple-choice section of the AP Exam can be found in the Exam Information section, starting on p. 237. Unit 5 is designed to be taught either before or after the AP Exam, as appropriate to a school's calendar, and is not assessed on the AP Exam.

Pacing recommendations at the unit level and on the Course at a Glance table are suggestions for how to teach the required course content, integrating business case analysis, Business Canvas Project application, and personal finance content. The suggested class periods are based on a schedule in which the class meets five days a week for 45 minutes each day. While these recommendations have been made to aid in planning, pacing can be adjusted based on student needs, alternate schedules (e.g., block scheduling), or individual schools' academic calendars.

Topics

Each unit is divided into teachable segments called topics. The topic pages (starting on page 27) contain all required content for each topic. Each topic typically requires 3–5 class periods of instruction. Teachers are not obligated to teach the topics in the suggested sequence listed in each unit; however, to receive authorization to label this course "Advanced Placement," all topics must be included in the course.

Course at a Glance

Plan

The course at a glance provides a useful visual organization of the AP Business with Personal Finance components, including:

- Sequence of units, along with approximate weighting and suggested pacing. Please note, pacing is based on 45-minute class periods, meeting five days each week for a full academic year.
- Progression of topics within each unit.

Teach

COURSE SKILLS

Business Skills

1 Concept Application

2 Entrepreneurship

Professional and Leadership Skills

3 Decision Making

4 Communication

5 Collaboration

Assess

At the end of each topic and unit, assess students' understanding of the content and skills and provide them with actionable feedback.

UNIT 1 Businesses, Competition, and New Ideas

~37 CLASS PERIODS | **20–30%** AP EXAM WEIGHTING

	Topic	Business Case
1.1	What Is a Business?	Bombas
1.2	Markets and Competitive Advantage	Incredible Health
1.3	PESTEL Factors and the Business Environment	Corley Plumbing
1.4	How Do Business Ideas Originate?	Malama ia Floral Design
1.5	Vision	Beekeeper's Daughter
1.6	Business Ethics	
1.7	Organization, Roles, and Responsibilities	
1.8	Supply Chains	Pearson 1860

UNIT 2 Marketing

~34 CLASS PERIODS | **20–30%** AP EXAM WEIGHTING

	Topic	Business Case
2.1	Marketing to Customers	Token of Trust
2.2	Consumer Behavior	Gong cha
2.3	Market Research	New Coke
2.4	Product	siggi's
2.5	Price	Sega
2.6	Place and Channels	Stanley
2.7	Promotion and Marketing Communications	Hestia Construction

UNIT 3

PART 1

Personal Saving and Borrowing

PART 2

Business Finance and Accounting

~35 CLASS PERIODS | **25-35%** AP EXAM WEIGHTING

Part 1

Topic	Business Case
3.1 Saving for Future Purchases	
3.2 Borrowing, Credit, and Debt	

Part 2

Topic	Business Case
3.3 Accounting and Financial Management	
3.4 Business Expenses	DK Coffee Lab, Part 1
3.5 Financial Capital	DK Coffee Lab, Part 2
3.6 The Income Statement	Hershey
3.7 The Balance Sheet and Net Worth	DCH DK Coffee Lab, Part 3
3.8 The Cash Flow Statement	AANE
3.9 Ethics and Financial Reporting	Yardley

UNIT 4

Management and Strategy

~30 CLASS PERIODS | **15–20%** AP EXAM WEIGHTING

Topic	Business Case
4.1 Management and Leadership	Assort Health Canva
4.2 Evaluating Performance Using KPIs	BREAUX Capital
4.3 Strategy and Decision Making	ExpressionMed
4.4 Strategic Frameworks: Porter's Five Forces and SWOT Analysis	Crepes & Waffles Square Meal Feeds

UNIT 5

Personal Goals, Budgeting, and Investing

~24 CLASS PERIODS | +20 CLASS PERIODS FOR ADDITIONAL PERSONAL FINANCE COVERAGE

Topic	Business Case
5.1 Taxes, Net Income, and Budgeting	
5.2 Managing Personal Risk	
5.3 Saving and Investing for Education, Housing, and Retirement Goals	

AP BUSINESS WITH PERSONAL FINANCE

Unit Guides

Introduction

Developed with input from business faculty and experienced high school business and personal finance educators, these guides offer teachers helpful guidance in building students' skills and content knowledge.

This unit structure respects AP teachers' time by providing one possible sequence, which can be adopted or modified rather than having to be built from scratch.

Using the Unit Guides


UNIT 1

20–30% AP EXAM WEIGHTING

~37 CLASS PERIODS

Businesses, Competition, and New Ideas

Developing Understanding

From a small neighborhood shop to a large global corporation, all businesses share key characteristics: They start as an idea and seek to achieve viability by selling products that address customers' problems, needs, or wants. Unit 1 introduces students to the world of business—how businesses get started, how they're organized, how they compete, how ethics shape their decision making, and how external factors affect their success. Students also consider how these same external forces influence individuals' career opportunities, income, and personal choices about work.

Unit 1 explores the entrepreneurial process—identifying and validating a market opportunity and testing potential solutions—and asks students to consider the risks and rewards of bringing a new product to market. Students learn how an entrepreneur with a promising idea can transform it into an actual enterprise that provides income. Another critical aspect of Unit 1 is learning how businesses and individuals navigate the challenges posed by market competition and PESTEL factors (external political, economic, social, technological, environmental, and legal forces).

Building Course Skills: Business Cases

The provided business cases in Unit 1 introduce students to startups and established businesses to illustrate a wide variety of organizations and offer students practice using the language of business and explaining business actions. Through the provided cases, students practice explaining how internal, market, and external factors create opportunities and problems for businesses and individuals.

Each case provided by the AP Program includes a recommended opening activity, reading questions, and discussion prompts to help students apply new knowledge. For more guidance on using cases effectively in the classroom, see the **Guide to Teaching with Cases**.

Building Course Skills: Business Canvas Project

Students begin the Business Canvas Project in Unit 1 by identifying and validating a potential market opportunity and developing a preliminary product idea. Throughout Unit 1, students develop hypotheses and interview and survey potential customers, which provides them with practice in developing the skill of authentic business communication.

Preparing for the AP Exam

Unit 1 introduces students to the language of business—an essential foundation when preparing for the AP Exam. Building understanding of the concepts of value, competitive advantage, differentiation, and risk helps students become more conversant with terminology that recurs throughout the course. Exam questions will ask students to describe factors that affect businesses and individuals and explain how and why businesses and individuals pursue specific goals and strategies.

AP Business with Personal Finance · Course Framework RETURN TO CONTENTS 25

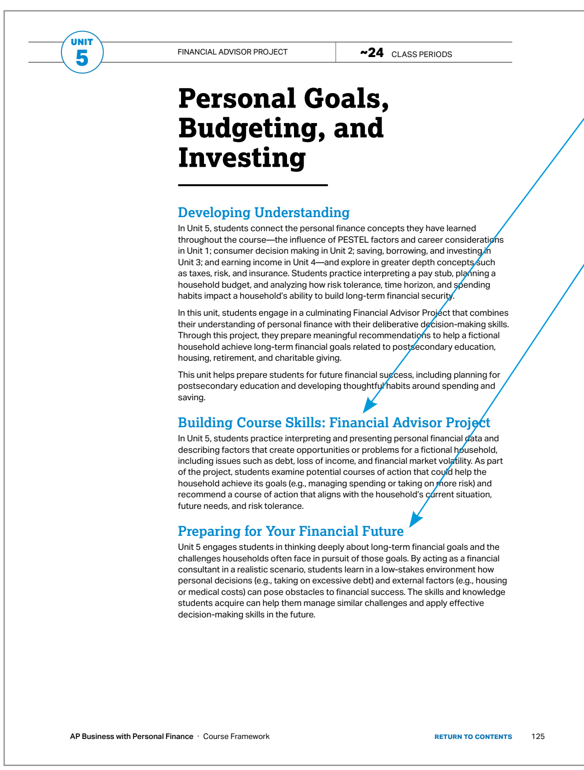
UNIT OPENERS

Developing Understanding provides an overview that contextualizes and situates the key content of the unit within the scope of the course.

Building Course Skills: Business Cases supports skill development by encouraging students to apply business concepts through real-world case analysis, strengthening reasoning, decision-making, and communication skills across the units.

Building Course Skills: Business Canvas Project supports skill development by encouraging students to apply business concepts and skills to an entrepreneurial idea of their own choosing.

Preparing for the AP Exam offers tips and outlines opportunities for students to use business terminology, analyze business cases and scenarios, interpret data, and justify strategic decisions in ways that reflect the expectations of the exam's multiple-choice and free-response questions.


UNIT 5

FINANCIAL ADVISOR PROJECT

~24 CLASS PERIODS

Personal Goals, Budgeting, and Investing

Developing Understanding

In Unit 5, students connect the personal finance concepts they have learned throughout the course—the influence of PESTEL factors and career considerations in Unit 1; consumer decision making in Unit 2; saving, borrowing, and investing in Unit 3; and earning income in Unit 4—and explore in greater depth concepts such as taxes, risk, and insurance. Students practice interpreting a pay stub, planning a household budget, and analyzing how risk tolerance, time horizon, and spending habits impact a household's ability to build long-term financial security.

In this unit, students engage in a culminating Financial Advisor Project that combines their understanding of personal finance with their deliberative decision-making skills. Through this project, they prepare meaningful recommendations to help a fictional household achieve long-term financial goals related to postsecondary education, housing, retirement, and charitable giving.

This unit helps prepare students for future financial success, including planning for postsecondary education and developing thoughtful habits around spending and saving.

Building Course Skills: Financial Advisor Project

In Unit 5, students practice interpreting and presenting personal financial data and describing factors that create opportunities or problems for a fictional household, including issues such as debt, loss of income, and financial market volatility. As part of the project, students examine potential courses of action that could help the household achieve its goals (e.g., managing spending or taking on more risk) and recommend a course of action that aligns with the household's current situation, future needs, and risk tolerance.

Preparing for Your Financial Future

Unit 5 engages students in thinking deeply about long-term financial goals and the challenges households often face in pursuit of those goals. By acting as a financial consultant in a realistic scenario, students learn in a low-stakes environment how personal decisions (e.g., taking on excessive debt) and external factors (e.g., housing or medical costs) can pose obstacles to financial success. The skills and knowledge students acquire can help them manage similar challenges and apply effective decision-making skills in the future.

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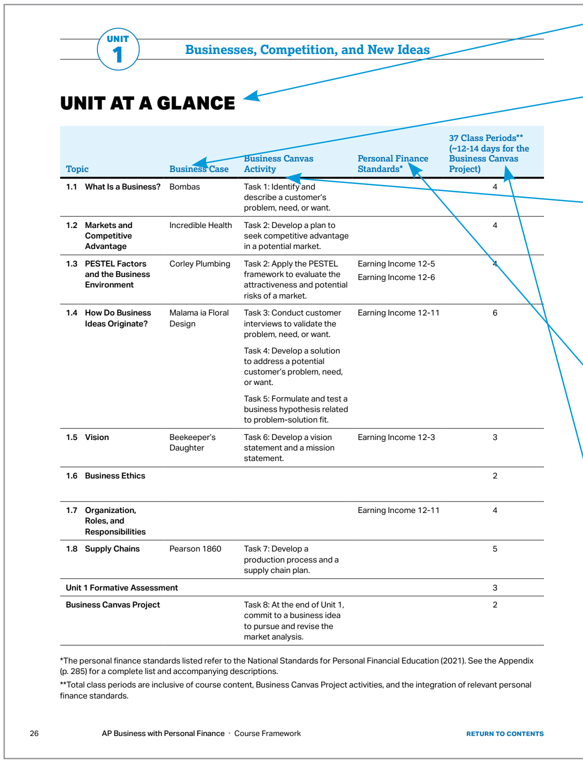
Unit 5 offers two unit-specific features:

Building Course Skills: Financial Advisor Project encourages students to apply personal finance content and skills as they develop a strategic financial recommendation for a fictional household.

Preparing for Your Financial Future provides insights into how the skills and knowledge acquired in Unit 5 will prepare students to manage similar challenges in their own lives.

Using the Unit Guides



UNIT 1

Businesses, Competition, and New Ideas

UNIT AT A GLANCE

Topic	Business Case	Business Canvas Activity	Personal Finance Standards*	37 Class Periods** (~12-14 days for the Business Canvas Project)
1.1 What Is a Business?	Bombas	Task 1: Identify and describe a customer's problem, need, or want.		4
1.2 Markets and Competitive Advantage	Incredible Health	Task 2: Develop a plan to seek competitive advantage in a potential market.		4
1.3 PESTEL Factors and the Business Environment	Corley Plumbing	Task 2: Apply the PESTEL framework to evaluate the attractiveness and potential risks of a market.	Earning Income 12-5 Earning Income 12-6	4
1.4 How Do Business Ideas Originate?	Malama ia Floral Design	Task 3: Conduct customer interviews to validate the problem, need, or want. Task 4: Develop a solution to address a potential customer's problem, need, or want. Task 5: Formulate and test a business hypothesis related to problem-solution fit.	Earning Income 12-11	6
1.5 Vision	Beekeeper's Daughter	Task 6: Develop a vision statement and a mission statement.	Earning Income 12-3	3
1.6 Business Ethics				2
1.7 Organization, Roles, and Responsibilities			Earning Income 12-11	4
1.8 Supply Chains	Pearson 1860	Task 7: Develop a production process and a supply chain plan.		5
Unit 1 Formative Assessment				3
Business Canvas Project		Task 8: At the end of Unit 1, commit to a business idea to pursue and revise the market analysis.		2

*The personal finance standards listed refer to the National Standards for Personal Financial Education (2021). See the Appendix (p. 285) for a complete list and accompanying descriptions.

**Total class periods are inclusive of course content, Business Canvas Project activities, and the integration of relevant personal finance standards.

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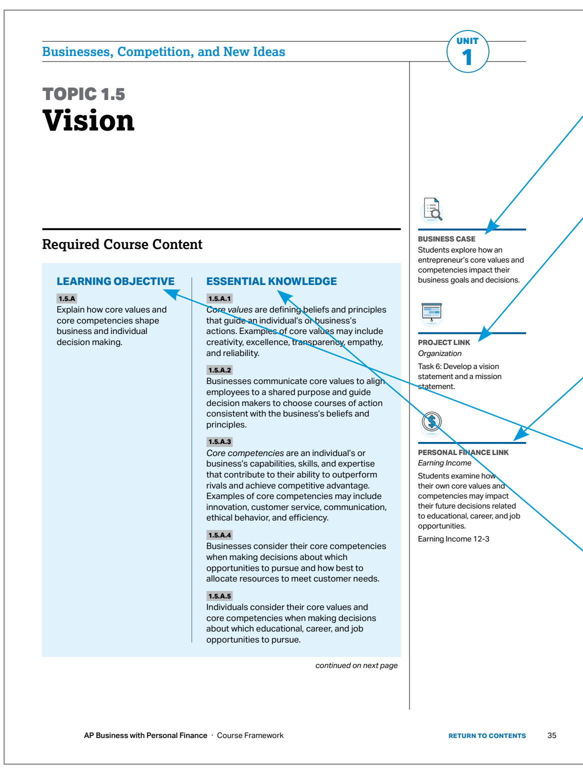
The **Unit at a Glance** table shows the topics and other topic-specific teaching opportunities.

The **Business Case** column lists each available AP-provided business case aligned to a course topic within the unit.

The **Business Canvas Activity** column describes project tasks aligned to each topic within the unit. Each project step involves creating a deliverable, which becomes an element of the final project. All task numbers in this column align to the project guides, starting on pages 143 and 189.

Personal Finance Standards identify each standard from the National Standards for Personal Financial Education aligned to each topic within the unit. A full list of the standards is provided in the Appendix for reference.

Class Periods describe the recommended number of 45-minute class periods to dedicate to each topic within the unit. The recommendation includes the Business Canvas Project activity as well as identified personal finance standards.



Businesses, Competition, and New Ideas

UNIT 1

TOPIC 1.5

Vision

Required Course Content

LEARNING OBJECTIVE

1.5.A

Explain how core values and core competencies shape business and individual decision making.

ESSENTIAL KNOWLEDGE

1.5.A.1

Core values are defining beliefs and principles that guide an individual's or business's actions. Examples of core values may include creativity, excellence, transparency, empathy, and reliability.

1.5.A.2

Businesses communicate core values to align employees to a shared purpose and guide decision makers to choose courses of action consistent with the business's beliefs and principles.

1.5.A.3

Core competencies are an individual's or business's capabilities, skills, and expertise that contribute to their ability to outperform rivals and achieve competitive advantage. Examples of core competencies may include innovation, customer service, communication, ethical behavior, and efficiency.

1.5.A.4

Businesses consider their core competencies when making decisions about which opportunities to pursue and how best to allocate resources to meet customer needs.

1.5.A.5

Individuals consider their core values and core competencies when making decisions about which educational, career, and job opportunities to pursue.

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BUSINESS CASE

Students explore how an entrepreneur's core values and competencies impact their business goals and decisions.

PROJECT LINK

Organization

Task 6: Develop a vision statement and a mission statement.

PERSONAL FINANCE LINK

Earning Income

Students examine how their own core values and competencies may impact their future decisions related to educational, career, and job opportunities.

Earning Income 12-3

AP Business with Personal Finance · Course Framework RETURN TO CONTENTS 35

TOPIC PAGES

The **Business Case** note describes how students can engage with a business case to develop a deeper understanding of the topic.

The **Project Link** identifies specific Business Canvas Project steps and deliverables related to the topic, which serve as an opportunity for students to apply their newly acquired knowledge and skills.

The **Personal Finance Link** describes how relevant personal finance standards are addressed within each topic.

Learning objectives define what a student needs to be able to do with content knowledge to progress through the course.

Essential knowledge statements define the required content knowledge associated with each learning objective assessed on the AP Exam.

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AP BUSINESS WITH PERSONAL FINANCE

UNIT 1

Businesses, Competition, and New Ideas

20–30%
AP EXAM WEIGHTING

~37
CLASS PERIODS

UNIT 1

20–30% AP EXAM WEIGHTING | **~37** CLASS PERIODS

Businesses, Competition, and New Ideas

Developing Understanding

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Unit 1 introduces students to the language of business—an essential foundation when preparing for the AP Exam. Building understanding of the concepts of value, competitive advantage, differentiation, and risk helps students become more conversant with terminology that recurs throughout the course. Exam questions will ask students to describe factors that affect businesses and individuals and explain how and why businesses and individuals pursue specific goals and strategies.

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Unit 1 Formative Assessment				3
Business Canvas Project		Task 8: At the end of Unit 1, commit to a business idea to pursue and revise the market analysis.		2

*The personal finance standards listed refer to the National Standards for Personal Financial Education (2021). See the Appendix (p. 285) for a complete list and accompanying descriptions.

**Total class periods are inclusive of course content, Business Canvas Project activities, and the integration of relevant personal finance standards.

TOPIC 1.1

What Is a Business?

Required Course Content

LEARNING OBJECTIVE	ESSENTIAL KNOWLEDGE
1.1.A Identify ways businesses address customers' problems, needs, and wants.	**1.1.A.1** A *business* is an organization or entity that produces and distributes products, inclusive of goods and/or services. A business can be any size—based on geographic reach, number of employees, or revenues—and serve customers face-to-face or virtually. **1.1.A.2** A *customer* is an individual or business that purchases a good or service. A *consumer* is an individual who uses a good or service, whether or not they are the buyer. **1.1.A.3** Businesses identify customer problems, needs, and wants (market opportunities) and develop goods and services to address them, which achieves *problem-solution fit*. Businesses cannot satisfy all potential customers; they must select which problems, needs, and wants they will focus on and which customers to serve.
1.1.B Distinguish between value creation and value capture.	**1.1.B.1** *Value* is the worth or benefit of a product to customers. **1.1.B.2** Value creation occurs when businesses provide a product that responds to customers' problems, needs, and wants. **1.1.B.3** Value capture occurs when businesses are able to charge customers a higher price for a product than it cost to produce.

BUSINESS CASE

Students explore how an entrepreneur identifies a customer problem, need, or want.

PROJECT LINK

Customer

Task 1: Identify and describe a customer's problem, need, or want.

TOPIC 1.2
Markets and Competitive Advantage

BUSINESS CASE
Students explore how a business achieves competitive advantage by differentiating its product from competitors' offerings.

PROJECT LINK
Market
Task 2: Develop a plan to seek competitive advantage in a potential market.

Required Course Content

LEARNING OBJECTIVE

1.2.A
Explain how sellers and buyers interact in a market, establishing a market price.

ESSENTIAL KNOWLEDGE

1.2.A.1
Businesses operate within markets, which can be local, regional, or global. A *market* is any physical or virtual space where businesses (the sellers) interact with their customers (the buyers).

1.2.A.2
The voluntary exchange of goods and services within markets generates revenue for sellers and creates value for buyers who obtain products they need or want.

1.2.A.3
Sellers seek to charge higher prices to gain profit, while buyers attempt to pay lower prices to achieve savings.

1.2.A.4
In a competitive market, the interaction of sellers seeking higher prices and buyers seeking lower prices tends to establish a prevailing market price for a good or service.

EXCLUSION STATEMENT
Drawing and manipulating graphs to analyze supply and demand in markets is beyond the scope of the AP Business with Personal Finance Exam but can usefully be introduced to prepare students for the AP Economics courses.

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LEARNING OBJECTIVE

1.2.B
Develop or evaluate a business's plan to achieve competitive advantage in a market.

ESSENTIAL KNOWLEDGE

1.2.B.1
Competitive advantage is the ability to outperform rivals (other businesses) in the same market, leading to increased market share and potentially to increased profits.

1.2.B.2
Markets vary in competitiveness based on the number of rival businesses and product offerings, the degree to which businesses create *differentiated products* (products with distinguishing features), and the extent to which rival businesses are able to offer identical or similar products at a lower price.

1.2.B.3
The competitiveness of a given market determines the strategies a business will use to seek competitive advantage.

1.2.B.4
Markets for many agricultural goods or other commodities tend to be highly competitive. Businesses in these markets may seek competitive advantage by producing as efficiently as possible in order to charge the lowest price possible.

1.2.B.5
In competitive markets with differentiated rival products, businesses may seek competitive advantage by demonstrating to customers how their products are superior to rival products. Businesses may do this by developing higher-quality products, unique product features, better customer service, lower prices, or more effective marketing.

1.2.B.6
Businesses in competitive markets may seek competitive advantage by working to create or strengthen barriers to entry, which are obstacles that make it difficult for new firms to compete. *Barriers to entry* may include intellectual property rights (e.g., patents), regulations to limit rivals, limited access to resource suppliers, high startup costs, and low prices (made possible by operating at a large scale).

1.2.B.7
A market without competition, in which only one business operates and produces a unique good or service, is a *monopoly*. A business that has the advantage of not having to compete for customers may seek to protect this position by maintaining barriers to entry.

TOPIC 1.3

PESTEL Factors and the Business Environment

BUSINESS CASE

Students explore how multiple PESTEL factors impact the viability of a business.

PROJECT LINK

Market

Task 2: Apply the PESTEL framework to evaluate the attractiveness and potential risks of a market.

PERSONAL FINANCE LINK

Earning Income

Students examine how PESTEL factors that impact businesses and markets—such as government policies, economic conditions, societal trends, technology, environmental conditions, and laws—also impact individuals' career opportunities and income.

Earning Income 12-5

Earning Income 12-6

Required Course Content

LEARNING OBJECTIVE

1.3.A

Describe the PESTEL factors that shape markets.

ESSENTIAL KNOWLEDGE

1.3.A.1

PESTEL factors are the political, economic, social, technological, environmental, and legal factors that shape the business landscape and impact the types of business that are viable in a market.

1.3.A.2

Political factors are policies and political dynamics that affect market activity such as trade policy, taxes and subsidies, mandates, bans, and political stability.

1.3.A.3

Economic factors are aspects of the economy that affect market activity such as economic stability, levels of household income, inflation, unemployment, and interest rates.

1.3.A.4

Social factors are trends in society and culture that affect consumers, and therefore market activity, such as consumer demographics, cultural norms, lifestyle trends, and the population growth rate.

1.3.A.5

Technological factors are any features of a market related to the availability of technology for market activity such as internet access, automation of production processes, and the rate of technological innovation.

1.3.A.6

Environmental factors are any external environmental conditions that promote or limit market activity such as geography, access to renewable and nonrenewable resources, waste management policies, and consumer environmental perspectives.

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LEARNING OBJECTIVE	ESSENTIAL KNOWLEDGE
1.3.A Describe the PESTEL factors that shape markets.	**1.3.A.7** Legal factors are any specific laws, rules, or regulations that impact market activity such as employment laws, consumer protection laws, health and safety laws, environmental regulations, intellectual property protection, and antitrust laws.
1.3.B Explain how PESTEL factors influence business viability and career opportunities in a market.	**1.3.B.1** Political factors influence business viability because the overall political system and specific policies incentivize some business activities while disincentivizing others. Subsidies and mandates are used to support specific business activities, while bans are used to limit specific business activities. Taxes are collected to fund governments and may also have the effect of limiting specific business activities. **1.3.B.2** Economic factors influence business viability because the overall stability and performance of the economy influence the levels and types of spending by consumers, businesses, and government. Most businesses are more likely to thrive in a strong, stable economy, but some businesses thrive by meeting customer needs in a weak or unstable economy. **1.3.B.3** Social factors influence business viability because meeting consumer needs and wants is vital to achieving viability for consumer-oriented businesses, and these needs and wants are influenced by consumer demographics, cultural norms, and trends. **1.3.B.4** Technological factors influence business viability because systems for production, distribution, and communication with customers are dependent on available technologies. **1.3.B.5** Environmental factors influence business viability because climate, access to resources, and the occurrence of natural disasters may constrain businesses' abilities to produce and distribute goods and services. In addition, customers' environmental perspectives may influence purchasing decisions.

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LEARNING OBJECTIVE	ESSENTIAL KNOWLEDGE
1.3.B Explain how PESTEL factors influence business viability and career opportunities in a market.	**1.3.B.6** Legal factors influence business viability because they affect operating costs and the legality of some operations. **1.3.B.7** Career opportunities in a market can be determined by the types of businesses that are viable, based on how PESTEL factors impact the location. **1.3.B.8** Changes in PESTEL factors may alter the business landscape and job availability within an existing market; for example, some employees face layoffs during economic downturns.
1.3.C Apply the PESTEL framework to evaluate the attractiveness and potential risks of a market.	**1.3.C.1** Businesses evaluate market opportunities using the PESTEL framework, which involves identifying the relevant PESTEL factors and assessing how each relevant factor impacts the attractiveness and potential risks of the market, specific to their product or business idea. **1.3.C.2** A business is more likely to enter a market where PESTEL factors align with its business model, considering resources and production processes as well as potential customers. For example, a tech business is more likely to locate in a market with relatively inexpensive access to high-speed internet and electricity, while a farm-to-table restaurant is more likely to locate in a market with customers who prioritize locally grown food. **1.3.C.3** Changes in PESTEL factors may impact the viability of a business in an existing market because of their influence on customer needs, wants, and ability to buy a product; available production and distribution systems; and access to resources.

TOPIC 1.4

How Do Business Ideas Originate?

Required Course Content

LEARNING OBJECTIVE	ESSENTIAL KNOWLEDGE
1.4.A Describe strategies entrepreneurs and businesses use to generate new product ideas.	**1.4.A.1** An *entrepreneur* is an individual who develops a new business and assumes the risks and potential rewards. **1.4.A.2** Entrepreneurs and existing businesses generate new product ideas using a variety of strategies, such as observing, interviewing, and surveying potential customers to identify needs; investing in market and technical research to identify market gaps; and developing new capabilities through experimentation.
1.4.B Describe the risk involved in bringing a new product to market and the reasons entrepreneurs and existing businesses are willing to incur the risk.	**1.4.B.1** Bringing a new product to market incurs risk because it requires financial, physical, and human resources, which have costs, and there is no guarantee that a new product will generate enough revenue to cover the costs or earn profits. **1.4.B.2** An entrepreneur or existing business may be incentivized to bear the risk of bringing a new product to market by the potential to earn future profits, the satisfaction of solving a problem, or the ability to pursue a passion.

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BUSINESS CASE

Students explore how an entrepreneur identifies and validates a market opportunity and develops a product to capitalize on the opportunity.

PROJECT LINK

Product

Task 3: Conduct customer interviews to validate the problem, need, or want.

Task 4: Develop a solution to address a potential customer's problem, need, or want.

Task 5: Formulate and test a business hypothesis related to problem-solution fit.

PERSONAL FINANCE LINK

Earning Income

Students examine how an entrepreneur can generate income by owning and operating their own business.

Earning Income 12-11

LEARNING OBJECTIVE

1.4.C

Apply an entrepreneurial design-thinking process to the generation and validation of a new business or product idea.

ESSENTIAL KNOWLEDGE

1.4.C.1

An entrepreneurial design-thinking process begins with observing, interviewing, and/or surveying potential customers to identify and validate a problem, need, or want. At this stage, validation means gathering evidence that the problem, need, or want exists, can be clearly defined, and is experienced by multiple potential customers.

1.4.C.2

After an entrepreneur or existing business has identified and validated a problem, need, or want, the entrepreneur or existing business will develop a potential solution (product idea), which may involve brainstorming, sketching, and prototyping.

1.4.C.3

After an initial product idea is developed, the entrepreneur or existing business will validate the idea by gathering initial feedback on a *minimum viable product* (MVP) from potential customers. The MVP is the simplest version of the product idea, with only core features, and may be a sketch, a description, or a model.

TOPIC 1.5
Vision

Required Course Content

LEARNING OBJECTIVE

1.5.A
Explain how core values and core competencies shape business and individual decision making.

ESSENTIAL KNOWLEDGE

1.5.A.1
Core values are defining beliefs and principles that guide an individual's or business's actions. Examples of core values may include creativity, excellence, transparency, empathy, and reliability.

1.5.A.2
Businesses communicate core values to align employees to a shared purpose and guide decision makers to choose courses of action consistent with the business's beliefs and principles.

1.5.A.3
Core competencies are an individual's or business's capabilities, skills, and expertise that contribute to their ability to outperform rivals and achieve competitive advantage. Examples of core competencies may include innovation, customer service, communication, ethical behavior, and efficiency.

1.5.A.4
Businesses consider their core competencies when making decisions about which opportunities to pursue and how best to allocate resources to meet customer needs.

1.5.A.5
Individuals consider their core values and core competencies when making decisions about which educational, career, and job opportunities to pursue.

continued on next page

BUSINESS CASE
Students explore how an entrepreneur's core values and competencies impact their business goals and decisions.

PROJECT LINK
Organization
Task 6: Develop a vision statement and a mission statement.

PERSONAL FINANCE LINK
Earning Income
Students examine how their own core values and competencies may impact their future decisions related to educational, career, and job opportunities.
Earning Income 12-3

LEARNING OBJECTIVE	ESSENTIAL KNOWLEDGE
1.5.B Develop or evaluate a vision statement and/or mission statement based on a business's goals and values.	**1.5.B.1** A *vision statement* provides a concise description of a business's core values and aspirations. **1.5.B.2** A *mission statement* provides a description of what a business does and how the business will achieve its long-term goals. **1.5.B.3** Vision statements and mission statements communicate long-term goals and core values to internal audiences to guide decision making and provide a shared sense of purpose. These statements also inform potential customers and investors of the business's goals and values.
1.5.C Describe the goals of businesses, social enterprises, and nonprofit organizations.	**1.5.C.1** Businesses seek to achieve and increase profits, fulfill their stated missions and goals, and remain competitive and viable in the long term. Businesses can improve profits by increasing revenues and/or by decreasing costs. **1.5.C.2** Some businesses seek to generate profit while also achieving social objectives; these businesses are designated social enterprises. The impact on societal challenges may be achieved through a business's products, operations, or financial model. **1.5.C.3** Nonprofit organizations serve the public good rather than generating profit for their owners. Any surplus funds (i.e., revenues in excess of costs) must be reinvested in the organization by law. Nonprofits often rely on grant funding and donations as part of their revenue.

TOPIC 1.6

Business Ethics

Required Course Content

LEARNING OBJECTIVE	ESSENTIAL KNOWLEDGE
1.6.A Explain how and why businesses encourage ethical behavior.	**1.6.A.1** Unethical behavior, such as falsifying or concealing information, misusing company property, and causing harm to employees or customers, can occur at all levels of business; incentive structures can influence individuals' choices to gain benefits for themselves unethically.
	1.6.A.2 Businesses can encourage ethical behavior by implementing codes of conduct, training employees to follow ethical guidelines, imposing internal repercussions for ethical transgressions, and modeling ethical behavior.
	1.6.A.3 Ethical business practices can also attract both customers and employees and contribute to brand loyalty. A business's response to unethical behavior or an ethical dilemma may affect customer and employee relationships, public perception of the business, and profitability.
1.6.B Explain how business leaders respond to ethical dilemmas.	**1.6.B.1** Ethical dilemmas in business exist when a core value, such as transparency, fairness, and empathy, conflicts with other core values or with business goals or practices.

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LEARNING OBJECTIVE

1.6.B

Explain how business leaders respond to ethical dilemmas.

ESSENTIAL KNOWLEDGE

1.6.B.2

Business leaders facing ethical dilemmas often consider the impact of potential responses on various internal and external stakeholders, as well as the impact on reputation and company culture.

1.6.B.2.i

Internal stakeholders are individuals or groups in a business who have a direct involvement in its operations, decisions, and outcomes. Owners, managers, and employees are examples of internal stakeholders.

1.6.B.2.ii

External stakeholders are individuals or groups that are not directly employed by or involved in an organization but have a vested interest in its decisions and outcomes. Customers, government agencies, and community members may be considered external stakeholders.

1.6.B.3

To respond to an ethical dilemma, business leaders often evaluate the benefits and costs of potential responses for each stakeholder group and choose the course of action that results in the greatest total benefit or the least total harm. Alternatively, business leaders may choose a course of action that is most consistent with the business's vision and/or goals.

TOPIC 1.7

Organization, Roles, and Responsibilities

Required Course Content

LEARNING OBJECTIVE

1.7.A
Describe the major types of business organization and their relative advantages and disadvantages.

ESSENTIAL KNOWLEDGE

1.7.A.1
The major types of business organization are sole proprietorship, partnership, limited liability company (LLC), and corporation.

1.7.A.2
A business owner can retain control over decision making and profits by organizing their business as a sole proprietorship, partnership, or LLC; however, they may be limited in their ability to grow the business because these types of businesses have less access to funding.

1.7.A.3
Sole proprietors and partners are personally liable for all business debts and obligations; however, they can avoid personal liability for business debts by organizing as LLCs.

1.7.A.4
Business owners cede control over decision making to shareholders and an elected board of directors when a business becomes a corporation; corporations typically have greater access to funding and more ability to grow than other types of business, and the company rather than individual owners controls profits and is liable for business debts.

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PERSONAL FINANCE LINK

Earning Income

Students examine how a business owner in a sole proprietorship, partnership, or limited liability company generates income from their business, and explore business roles and career opportunities within business.

Earning Income 12-4

Earning Income 12-11

LEARNING OBJECTIVE	ESSENTIAL KNOWLEDGE
1.7.B Define the roles and responsibilities of sole proprietors and partners.	**1.7.B.1** Sole proprietors have primary responsibility for all aspects of their businesses and may play multiple roles, including chief executive officer (CEO), marketer, product developer, financial manager, and operations manager. **1.7.B.2** Partners have primary responsibility for all aspects of their business and play multiple roles, which are typically divided according to each partner's strengths and interests.
1.7.C Explain how and why large businesses organize responsibilities into a structure that includes leadership and management of specialized departments as well as outsourcing.	**1.7.C.1** As a business grows in size and complexity, managing all aspects of it requires more employees with specific skills, which leads many businesses to organize roles and responsibilities into specialized departments (or teams). **1.7.C.2** Many large businesses employ executive leaders (e.g., CEOs) who are responsible for the overall vision, operations, strategy, and performance of the business as well as managers who lead the specialized departments and report to the executive leaders. In a corporation, the executive leaders report to the board of directors and shareholders. **1.7.C.3** Specialized departments are responsible for functional areas of business and develop expertise in these areas, which improves a business's ability to meet customer needs and wants efficiently and effectively. **1.7.C.4** Businesses may outsource functions to other businesses when doing so is likely to increase efficiency or reduce costs. For example, a business may outsource functions when it lacks employees with specific skills or when existing labor costs are high.

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LEARNING OBJECTIVE	ESSENTIAL KNOWLEDGE
1.7.D Describe the roles, responsibilities, and purposes of specialized departments in a business.	**1.7.D.1** Sales and marketing departments conduct market research, develop sales strategies, manage brands, and build customer relationships to attract and retain customers. **1.7.D.2** Research and development departments innovate around new and existing goods, services, and processes to better meet customers' needs and wants. **1.7.D.3** Operations departments manage the technical process of manufacturing goods or developing services to get the business's products to customers. **1.7.D.4** Accounting departments track expenditures and earnings and prepare financial statements to monitor the financial health of a business. **1.7.D.5** Finance departments secure and manage the use of funds and use financial data to recommend strategies for improving a business's performance. **1.7.D.6** Human resources departments recruit, train, and oversee the evaluation of employees to ensure that a business has a workforce with the knowledge, skills, and abilities to produce and provide the product, market to customers, make sales, and manage finances.

TOPIC 1.8
Supply Chains

BUSINESS CASE
Students explore how a business evaluates supply chain decisions by considering cost, risk, and impact on competitive advantage strategy.

PROJECT LINK
Operations
Task 7: Develop a production process and a supply chain plan.

Required Course Content

LEARNING OBJECTIVE	ESSENTIAL KNOWLEDGE
1.8.A Describe factors businesses consider when developing a production process.	**1.8.A.1** Businesses establish processes for producing and distributing their goods and/or services. Some businesses that produce goods choose *artisan processes*, which require skilled labor and attention to detail, while others choose *mass-production processes*, which typically require technology, assembly lines, and machinery to produce a larger quantity of goods. **1.8.A.2** Businesses consider customer priorities, such as quality, price, and customization, as well as the business's core competencies and the competitive landscape when developing production processes.
1.8.B Develop or describe a supply chain plan for a product.	**1.8.B.1** Businesses connect all of the individuals and businesses involved at each stage of the production and distribution process—from acquiring raw materials to final customer delivery—through *supply chains*, which may be local, regional, or global. Supply chains for goods differ from supply chains for services. **1.8.B.2** In the supply chain for a good, raw materials and component parts (e.g., computer chips) are acquired and transported to manufacturing facilities, where they are made into finished goods by a combination of workers and equipment. Goods may then be transported to a storage facility, such as a warehouse, before going to a distribution center or retail store for distribution to customers.

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LEARNING OBJECTIVE	ESSENTIAL KNOWLEDGE
1.8.B Develop or describe a supply chain plan for a product.	**1.8.B.3** In the supply chain for a service, businesses acquire the employees, resources, and delivery systems needed to provide the service to customers either in person or virtually. **1.8.B.4** Businesses consider cost, quality, efficiency, convenience, and risk when choosing suppliers. Risks such as natural disasters, political instability, resource shortages, production errors, and supplier reputation may delay product delivery or increase costs, threatening competitive advantage and profits.
1.8.C Explain how a business's competitive advantage strategy influences supply chain decisions.	**1.8.C.1** Businesses seeking competitive advantage through low prices typically use mass production and build supply chains focused on reducing costs, for example, through the use of cheaper resources and more efficient production processes. Some businesses *scale* their operations—building new, higher-capacity, and/or more efficient supply chains designed to achieve revenue increases that are greater than cost increases. **1.8.C.2** Businesses seeking competitive advantage through the provision of high-quality goods and services, whether through artisan or mass-production processes, build supply chains that use high-quality resources and production methods. **1.8.C.3** Businesses seeking competitive advantage through barriers to entry build supply chains that include exclusive or restrictive agreements with suppliers or distributors; for example, agreements that prevent a supplier from selling component parts to rivals or prevent a retailer from distributing rival products.

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AP BUSINESS WITH PERSONAL FINANCE

UNIT 2

Marketing

20–30%
AP EXAM WEIGHTING

~34
CLASS PERIODS

Marketing

Developing Understanding

Every year, businesses bring thousands of new products to market that must compete for customer attention and spending. Some products will succeed or even dominate their markets, while others quietly disappear. What's the difference between a successful launch and a product failure? Unit 2 introduces students to marketing—the process of developing products and motivating customers to buy them—and examines how businesses use market research and data to select target customers, understand customer preferences and behaviors, improve products, and develop strategies that drive sales.

Unit 2 also introduces the consumer perspective—how purchasing patterns, sales tactics, and factors such as peer influence and personal values can influence individual buying decisions.

Building Course Skills: Business Cases

The provided business cases in Unit 2 introduce students to new and established businesses at key decision points. Businesses must grapple with a variety of marketing decisions, such as "Should we change our product to appeal to more customers?" and "How can we use pricing strategy to grow market share?" Students practice applying the language of business, interpreting market data, explaining how businesses address problems and opportunities, and explaining how businesses pursue and achieve the goals of desirability, feasibility, and viability.

Each case provided by the AP Program includes a recommended opening activity, reading questions, and discussion prompts to help students apply new knowledge. For more guidance on using cases effectively in the classroom, see the **Guide to Teaching with Cases**.

Building Course Skills: Business Canvas Project

In Unit 2, while developing their Business Canvas Project, students apply marketing techniques, including creating a target customer profile, developing and testing hypotheses related to customer preferences, and creating a minimum viable product, a value proposition, and branding. Students learn to communicate using data visualizations and authentic business messaging to inform, persuade, and learn from customers.

Preparing for the AP Exam

Unit 2 introduces students to market research and the use of data to inform marketing decisions, preparing them for AP Exam questions that are accompanied by quantitative and qualitative data requiring interpretation. The Business Concept Application free-response question (FRQ) will ask students to examine information gathered by a business, describe the method used, and explain how the research findings can be used to further the business's goals. The Business Canvas Project Exam-Day Validation FRQ will ask students to explain how they used hypothesis testing to inform decision making during their Business Canvas Project.

UNIT AT A GLANCE

Topic	Business Case	Business Canvas Activity	Personal Finance Standards*	34 Class Periods** (~13-15 days for the Business Canvas Project)
2.1 Marketing to Customers	Token of Trust	Task 1: Identify target customers and develop a customer profile. Task 2: Develop a plan to build customer relationships.	Managing Risk 12-11	4
2.2 Consumer Behavior	Gong Cha	Task 2: Develop a sales tactic drawing on principles of persuasion.	Spending 12-2 Spending 12-3 Spending 12-4 Spending 12-5 Spending 12-8	4
2.3 Market Research	New Coke	Task 3: Conduct primary source research to test a hypothesis related to customers' preferences. Task 4: Conduct secondary source research to assess the competitive landscape. Task 4: Develop a data visualization that reflects research findings.		6
2.4 Product	siggi's	Task 5: Develop a minimum viable product (MVP), to assess product-market fit, a value proposition, and branding/brand identity.		4
2.5 Price	Sega	Task 6: Develop a pricing strategy.		5
2.6 Place and Channels	Stanley	Task 7: Select a potential marketing channel or channels.		4
2.7 Promotion and Marketing Communications	Hestia Construction	Task 8: Develop a marketing campaign, including digital marketing tools.		4
Unit 2 Formative Assessment				3

*The personal finance standards listed refer to the National Standards for Personal Financial Education (2021). See the Appendix (p. 285) for a complete list and accompanying descriptions.

**Total class periods are inclusive of course content, Business Canvas Project activities, and the integration of relevant personal finance standards.

TOPIC 2.1
Marketing to Customers

Required Course Content

LEARNING OBJECTIVE

2.1.A
Explain why and how marketers collect customer data.

ESSENTIAL KNOWLEDGE

2.1.A.1
Marketing is all of the activities businesses undertake to identify customers' problems, needs, and wants as well as to promote, sell, and deliver products.

2.1.A.2
Customer data helps marketers determine which customers a business should serve, which products to produce, and how to market products effectively and profitably.

2.1.A.3
Marketers collect a wide variety of data pertaining to customers. This data includes demographic and psychographic characteristics.

2.1.A.3.i
Demographic characteristics are measurable qualities used to describe a population, such as age, sex, race, ethnicity, income, and location.

2.1.A.3.ii
Psychographic characteristics are cognitive and behavioral factors within a population including individuals' interests, activities, values, and lifestyles.

2.1.A.4
Businesses collect customer data using a variety of digital tools, including subscriber lists, online accounts, click-tracking software, tracking apps, and social media monitoring, as well as through traditional research tools, such as surveys and interviews. Businesses also buy customer data from other businesses.

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BUSINESS CASE
Students explore how a business determines its target customer and develops a customer profile.

PROJECT LINK
Customer
Task 1: Identify target customers and develop a customer profile.
Task 2: Develop a plan to build customer relationships.

PERSONAL FINANCE LINK
Managing Risk
Students examine how businesses' collection and use of customer data can leave individuals vulnerable to privacy infringement, identity theft, and fraud.
Managing Risk 12-11

LEARNING OBJECTIVE	ESSENTIAL KNOWLEDGE
2.1.B Use market segmentation to identify target customers and develop a customer profile.	**2.1.B.1** Market segmentation is a way to aggregate potential customers into groups, called *market segments*, based on shared demographic and psychographic characteristics. Market segmentation helps businesses better understand the needs and wants of different groups within a market and how their products might address these needs and wants.
	2.1.B.2 Businesses use market segmentation to identify *target customers*—those buyers most likely to purchase a specific product because of their wants, needs, and preferences.
	2.1.B.3 A business may create customer profiles to personify its target customers. A *customer profile* is a fictional description of a specific sample customer, incorporating demographic and psychographic data as well as the individual's wants, needs, and preferences.
	2.1.B.4 Identifying target customers and developing customer profiles helps businesses design products and marketing elements (e.g., branding, pricing, and advertising) that appeal to the targeted customer population, which is typically more effective and less costly than appealing to a wide audience.
2.1.C Describe the purpose of building customer relationships and develop a plan to build customer relationships.	**2.1.C.1** Businesses use a variety of tactics to build strong customer relationships, including personalized service, rewards programs for frequent buyers, and customer feedback opportunities (e.g., satisfaction surveys). Social media and the internet make it easier for businesses to employ these tactics.
	2.1.C.2 Strong customer relationships can reduce customer acquisition cost, potentially increasing profits, because satisfied customers may refer new customers. Customer acquisition cost is calculated by dividing the total marketing, advertising, and sales costs associated with acquiring customers by the total number of customers.

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LEARNING OBJECTIVE	ESSENTIAL KNOWLEDGE
2.1.C Describe the purpose of building customer relationships and develop a plan to build customer relationships.	**2.1.C.3** Strong customer relationships can increase the lifetime value of each unique customer, potentially increasing profits, because satisfied customers have more brand loyalty and make repeat purchases. The lifetime value of a customer is the estimated amount of money that the customer will spend on the business's products over time.
2.1.D Explain how the collection and use of customer data may make customers vulnerable to privacy infringement, identity theft, and fraud and create risks for businesses.	**2.1.D.1** Collecting, compiling, and storing customer data such as consumers' online searches, purchases of goods and services, credit card numbers, social media posts, and geographic location may violate consumers' privacy, particularly when consumers are unaware that their data is being collected or uninformed about how it may be used. **2.1.D.2** Customer data that is not properly secured may make individual consumers or businesses vulnerable to data breaches, fraud, and identity theft. **2.1.D.3** Businesses that collect, compile, store, and use customer data must balance the benefits of using this data against the potential risks to the business, including loss of customers, violation of core values, and harm to the business's reputation.

TOPIC 2.2
Consumer Behavior

BUSINESS CASE
Students explore how a business uses its understanding of consumer decision making to develop effective marketing strategies and sales tactics.

PROJECT LINK
Customer
Task 2: Develop a sales tactic drawing on principles of persuasion.

PERSONAL FINANCE LINK
Spending
Students examine the factors that shape consumer spending decisions, including the consumer's budget, the product price and features, the availability and prices of alternative products, and the costs and benefits of using a rational process to systematically evaluate alternatives.
Spending 12-2
Spending 12-3
Spending 12-4
Spending 12-5
Spending 12-8

Required Course Content

LEARNING OBJECTIVE

2.2.A
Explain why and how consumers make buying decisions.

ESSENTIAL KNOWLEDGE

2.2.A.1
Consumers buy goods and services to meet basic needs and wants. When rival goods that meet the same needs and wants are available, consumer decisions regarding which products to buy are influenced by prices, differentiated product features, availability, and advertising.

2.2.A.2
Consumers make some buying decisions, especially consequential ones like a home purchase, using a rational process of systematically evaluating alternative products, but many smaller buying decisions, such as buying a coffee on the way to work, are habitual or routine. A rational decision-making process helps consumers identify products that best address their needs and wants but also incurs costs, including time spent gathering information.

2.2.A.3
Personal factors, such as age, sex, education, income level, budget, occupation, and lifestyle, shape buying decisions by influencing what a consumer needs and wants and what they can afford.

2.2.A.4
Psychological factors, such as values and beliefs, perceptions, learning (associations developed through prior experience), and individual motivations, shape consumer buying decisions by influencing their attitudes toward products and their willingness to buy.

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LEARNING OBJECTIVE	ESSENTIAL KNOWLEDGE
2.2.A Explain why and how consumers make buying decisions.	**2.2.A.5** Social and cultural factors, such as peers, family, social status, cultural norms, and media, shape consumer buying decisions by influencing what is acceptable, desirable, or appropriate to buy. **2.2.A.6** Situational influences, such as store design (noise, lighting, and organization), timing, and product availability, influence consumer buying decisions by creating temporary conditions that can encourage or discourage buying.
2.2.B Describe the impact of legal and technological factors on consumer purchasing patterns.	**2.2.B.1** A *purchasing pattern* is a consumer's typical routine for making purchases, including timing, frequency, and quantity of purchases. Factors such as where an individual lives and works, their income level, and the purchasing patterns of their family and friends help determine their purchasing patterns. **2.2.B.2** Laws influence consumer purchasing patterns when they regulate what consumers can buy and when and where they can buy specific items. Consumer protection laws, for example, are designed to help individuals avoid fraudulent products and/or products that may be unsafe for them. These legal factors can give rise to substitute products, as consumers find new ways to address their needs and wants when existing products are more difficult to obtain. **2.2.B.3** Technology and innovation make new products accessible, which influences consumer purchasing patterns. For example, the internet in the 1990s and the advent of smartphones in the 2010s both facilitated new ways of shopping, finding information, and accessing entertainment, which changed how customers met their needs and wants.

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LEARNING OBJECTIVE	ESSENTIAL KNOWLEDGE
2.2.C Evaluate sales tactics that draw upon Cialdini's principles of influence, and develop a sales tactic.	**2.2.C.1** The principles of influence, developed by psychologist Robert Cialdini, are psychological factors that cause people to comply with a request. Marketers use tactics based on these principles to motivate consumers to buy products.
	2.2.C.2 Cialdini's scarcity principle states that the rarer an item seems, the more people tend to want it. Marketers apply this principle to motivate consumers by using phrases such as "limited-time offer" or "only one left at this price" to create a sense of urgency.
	2.2.C.3 Cialdini's authority principle states that individuals tend to obey or follow authority figures. Marketers apply this principle to motivate consumers by using expert spokespeople, such as doctors, to endorse products or by emphasizing the credentials of service providers.
	2.2.C.4 Cialdini's consensus principle states that individuals tend to follow social-group norms. Marketers apply this principle to motivate consumers by promoting positive customer feedback to create a sense that most consumers like a product.
	2.2.C.5 Cialdini's liking principle states that individuals are more likely to be influenced by people they like or relate to. Marketers apply this principle to motivate consumers by featuring people who look and act like the target customer in advertising and by building personal rapport with consumers.
	2.2.C.6 Cialdini's reciprocity principle states that individuals feel obligated to reciprocate when given something of value. Marketers apply this principle to motivate consumers by offering free trials, samples, and gifts, which can make the recipient feel compelled to buy something in return.

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LEARNING OBJECTIVE	ESSENTIAL KNOWLEDGE
2.2.C Evaluate sales tactics that draw upon Cialdini's principles of influence, and develop a sales tactic.	**2.2.C.7** Cialdini's consistency principle states that individuals tend to repeat behavior that aligns with their self-image. Marketers apply this principle to motivate consumers by appealing to their identity; for example, by promoting a product as something health-conscious consumers buy. **2.2.C.8** Cialdini's unity principle states that when individuals perceive that they are part of a group, they are more likely to be influenced by the group. Marketers apply this principle to motivate consumers by building a sense of community among target customers; for example, by asking them to join an exclusive online group or inviting them to cocreate products.

TOPIC 2.3
Market Research

BUSINESS CASE
Students explore how a business conducts market research and uses the findings to inform decision making.

PROJECT LINK
Customer
Task 3: Conduct primary source research to test a hypothesis related to customers' preferences.

Market
Task 4: Conduct secondary source research to assess the competitive landscape.

Appendix
Task 4: Develop a data visualization that reflects research findings.

Required Course Content

LEARNING OBJECTIVE

2.3.A
Explain why businesses conduct market research.

ESSENTIAL KNOWLEDGE

2.3.A.1
Market research is the process of collecting detailed information about markets, products, and customer behavior to guide marketing decisions.

2.3.A.2
Market researchers collect both quantitative and qualitative data.

- **2.3.A.2.i**
  Quantitative data is numerical data that can be measured and analyzed and answers questions such as *how many*, *how much*, and *how often*.
- **2.3.A.2.ii**
  Qualitative data is descriptive, non-numerical data that is collected in words and images and answers questions such as *why* and *how*.

2.3.A.3
Businesses developing new products use market research to evaluate the desirability, feasibility, and viability of a product before committing significant resources to bring the product to market.

- **2.3.A.3.i**
  A product is desirable when it creates value for customers by achieving problem-solution fit.
- **2.3.A.3.ii**
  A product is feasible when a business has the capacity to produce and provide it within the constraints of available resources, technology, expertise, and time.

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LEARNING OBJECTIVE	ESSENTIAL KNOWLEDGE
2.3.A Explain why businesses conduct market research.	**2.3.A.3.iii** A product is viable when it has the potential to be profitable in a market. **2.3.A.4** Businesses with existing products use market research to better understand customers' changing needs and wants, identify opportunities for product innovation, and develop strategies to retain or grow market share.
2.3.B Conduct and interpret secondary-source research to assess a market opportunity.	**2.3.B.1** Businesses use both secondary-source research and primary-source research to learn about customers, competitors, and the market landscape, including the PESTEL factors influencing market opportunities. **2.3.B.2** Secondary-source research involves gathering quantitative and/or qualitative information from a variety of external sources, including government, commercial, and academic publications and databases. These sources often contain detailed information on a variety of topics including market size (in dollars and in total customers), market trends, market segments, and factors that influence customer decisions, which can inform a business's understanding of the potential viability of its product. **2.3.B.3** Businesses typically interpret secondary-source research findings, including detailed information about rival businesses, to assess the market landscape for a product idea because it is more cost-effective than conducting extensive primary-source research.
2.3.C Conduct and interpret primary-source research to test a business hypothesis related to target customers and/ or customer preferences.	**2.3.C.1** Businesses typically test hypotheses related to their target customers and customer preferences by conducting and interpreting primary-source research, including surveys, A/B testing, focus groups, interviews, experiments, and/or observations.

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LEARNING OBJECTIVE

2.3.C
Conduct and interpret primary-source research to test a business hypothesis related to target customers and/ or customer preferences.

ESSENTIAL KNOWLEDGE

2.3.C.2
A business hypothesis states an assumption related to a customer, product, or market. Businesses typically test the validity of their assumptions (hypotheses) before committing to a course of action.

2.3.C.3
When conducting primary-source research, businesses may choose the research method or combination of methods based on the types of data the business needs to test its hypotheses.

2.3.C.4
Businesses may use surveys when they need a large amount of quantitative data that reflects the views of a population in order to test a hypothesis.

2.3.C.5
Businesses may use focus groups and one-on-one interviews when they need in-depth, qualitative data from a small number of individuals, such as highly engaged customers or potential customers, in order to test a hypothesis. These methods allow for follow-up questions and discussions that elicit detailed explanations.

2.3.C.6
Businesses may use experiments and observations when they need data on customer behavior, rather than opinions, in order to test a hypothesis. These methods allow researchers to gather information about how customers behave in either a controlled environment (in an experiment) or a natural environment (in an observation).

2.3.C.7
Businesses may use A/B testing (a type of experiment) when they need to measure authentic customer responses to two viable alternatives in order to test a hypothesis. This method allows researchers to gather information about specific customer preferences in a real-world environment.

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LEARNING OBJECTIVE	ESSENTIAL KNOWLEDGE
2.3.C Conduct and interpret primary-source research to test a business hypothesis related to target customers and/ or customer preferences.	**2.3.C.8** Businesses should take care to implement hypothesis testing in ways that reduce the risk of skewed data—both by designing research studies with sufficiently large and appropriately populated samples to reflect the population being studied and by asking unbiased questions that use neutral phrasing to avoid influencing the way respondents answer. **2.3.C.9** Despite the use of market research to inform decisions, businesses are not always able to accurately predict customer and market responses. Businesses often must innovate and respond to problems and opportunities using limited, unclear, or contradictory data.
2.3.D Develop and interpret data visualizations that reflect market research findings.	**2.3.D.1** Businesses may use a variety of data visualization tools to identify and communicate patterns, trends, and insights. Data visualizations such as bar charts, stacked bar charts, line graphs, and pie charts make it easier for stakeholders to understand complex information and make evidence-based decisions. **2.3.D.2** Businesses select the data visualization tool that best illustrates the pattern, trend, or insight they want to communicate. **2.3.D.3** Bar charts are often used to illustrate comparisons between individual data points, such as several years of sales data for a specific business or annual revenue for different businesses in a market. **2.3.D.4** Stacked bar charts are often used to illustrate comparisons between data and its subcategories. For example, a single stacked bar chart may show how total sales per year have changed as well as how sales for distinct product lines have changed over the same time period. **2.3.D.5** Line graphs are often used to illustrate trends over time, such as number of customers by year. **2.3.D.6** Pie charts are often used to illustrate part-to-whole relationships, such as the percentage of market share held by each business in a market.

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TOPIC 2.4
Product

BUSINESS CASE
Students explore how an entrepreneur takes an idea through the product development process, from the ideation stage to product launch.

PROJECT LINK
Product
Task 5: Develop a minimum viable product (MVP) to assess product-market fit, a value proposition, and branding/brand identity.

Required Course Content

LEARNING OBJECTIVE

2.4.A
Describe the six typical stages of product development, and develop an MVP and value proposition.

ESSENTIAL KNOWLEDGE

2.4.A.1
Product development is the process of creating or improving a product through research and iteration. Product development typically includes six stages: ideation, validation, design, messaging, production, and launch.

2.4.A.2
The ideation stage focuses on generating ideas for new or improved products through market research, technical research and development (R&D), and brainstorming.

2.4.A.3
The validation stage focuses on testing product ideas with potential customers. Marketers may use an MVP (minimum viable product) to assess whether a product can achieve *product-market fit*, which occurs if customer demand is sufficient to generate profit.

2.4.A.4
The design stage focuses on sourcing materials, creating prototypes, and estimating production and delivery costs. Developers determine key product features, such as functionality (how the product works), the user experience, and basic attributes like size, color, and quality. Businesses gather feedback on prototypes to understand who is likely to buy the product and how they respond to specific features.

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LEARNING OBJECTIVE	ESSENTIAL KNOWLEDGE
2.4.A Describe the six typical stages of product development, and develop an MVP and value proposition.	**2.4.A.5** The messaging stage focuses on creating a product's overall marketing strategy. Businesses develop a *value proposition* to explain who the product intends to serve, what problem or need it intends to address, and how it is superior to alternatives, based on market research insights. Businesses also develop *product-positioning strategies* to influence how potential customers perceive a product relative to rivals. **2.4.A.6** The production stage focuses on building the product, incorporating feedback received during the design stage. Businesses determine the production process and supply chain and attempt to match production levels with customer demand. **2.4.A.7** The launch stage focuses on taking orders and distributing a final product to customers. Businesses begin marketing the product to the target segment.
2.4.B Develop and evaluate branding for a business or product.	**2.4.B.1** Branding is the process of developing an identity, or brand, for a business or product, which is used to distinguish it from competitors, raise customer awareness, and generate loyalty. **2.4.B.2** Businesses typically consider their vision and/or the value proposition for a product when developing a brand identity to ensure that the brand appeals to the target customer. For example, a business that includes quick delivery in its value proposition may develop a brand identity that conveys a sense of movement or urgency. **2.4.B.3** A brand identity can be conveyed through a name, idea, term, symbol, design, or combination of these elements, which businesses often seek to protect by trademarking. **2.4.B.4** In addition to marketing products under brand names, businesses may sell generic products because some customers prioritize cost savings, which are associated with generic goods, over branding.

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LEARNING OBJECTIVE

2.4.C
Explain how businesses adapt their marketing strategies to address competitive challenges throughout the product life cycle.

ESSENTIAL KNOWLEDGE

2.4.C.1
The *product life cycle* is a series of stages that a product passes through, from introduction (the culmination of the product development stages) to decline, dictated by changes in customer demand over time.

2.4.C.2
At each stage of the product life cycle, businesses adapt the focus of their marketing strategies to address competitive challenges and attempt to grow or retain market share.

2.4.C.3
During the introduction stage of the product life cycle, a business launches a new product and sales volume and revenue are typically low; marketing strategy focuses on tactics to raise brand awareness to generate initial customer demand.

2.4.C.4
A product enters the growth stage when sales volume and revenue grow at an increasing rate and production typically increases. Competitors often enter the market and, consequently, marketing strategy focuses on tactics to differentiate the product from rival products, improve product quality, promote the brand, and advertise to promote growth.

2.4.C.5
A product enters the maturity stage when sales volume and revenue flatten, and the business seeks to retain existing market share by building brand loyalty in a saturated market. Marketing strategy during the maturity stage focuses on continued product differentiation, lower prices, and innovation.

2.4.C.6
A product enters the decline stage when sales volume and revenue fall as customers turn to rival products or innovative substitutes. Marketing strategy during the decline stage involves cutting costs or focusing on product redesign to remain viable. Products may be discontinued at this stage.

TOPIC 2.5
Price

Required Course Content

LEARNING OBJECTIVE

2.5.A
Develop and evaluate a pricing strategy.

ESSENTIAL KNOWLEDGE

2.5.A.1
A *pricing strategy* is a way of determining how much to charge for a product; setting the right price is critical to a business's viability because of the role price plays in attracting and retaining customers and generating revenue and profit.

2.5.A.2
Businesses consider the per-unit cost of producing and distributing a good or service when setting the price. Although a low price may help a business gain market share, a product is not profitable if the price is equal to or lower than per-unit cost.

2.5.A.3
Businesses that use *value-based pricing* set a price based on the perceived value or worth of the product to the customer. Businesses that produce highly differentiated or uniquely valuable products are more likely to use value-based pricing.

2.5.A.4
Businesses that use *competitive pricing* set the product's price based on the prices of rival products, often called price matching. If a business believes that its product is sufficiently differentiated, it may charge a premium over what competitors offer. If a business believes its product lacks differentiated features, it may set a price at or below those of competitors to gain market share at the expense of per-unit profit.

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BUSINESS CASE
Students explore how a business uses pricing strategy to achieve a specific business goal.

PROJECT LINK
Finance/Accounting

Task 6: Develop a pricing strategy.

LEARNING OBJECTIVE	ESSENTIAL KNOWLEDGE
2.5.A Develop and evaluate a pricing strategy.	**2.5.A.5** Businesses that use *cost-based pricing* set the product's price to achieve the desired per-unit profit (price minus per-unit cost) rather than considering factors such as perceived customer value or the price of rival goods. Businesses with clearly defined per-unit costs that can be communicated to customers, such as construction contractors, are more likely to use cost-based pricing.
	2.5.A.6 Businesses that use *penetration pricing* set a low price (possibly below per-unit cost) with the intention of increasing the price later in an effort to attract price-sensitive customers away from competitors and grow market share quickly.
2.5.B Evaluate how market conditions affect a business's pricing power.	**2.5.B.1** Businesses that operate in highly competitive markets with little product differentiation have little *pricing power* (the ability to raise prices without risking market share), which may force them to keep prices as low as possible. Businesses that operate in less-competitive markets or sell highly differentiated products have more pricing power and can implement more profitable pricing strategies.
	2.5.B.2 Businesses whose customers are highly responsive to price changes have little pricing power because a price increase may reduce revenue if customers buy significantly less of the product. While a price cut may increase product sales, sales may not increase sufficiently to compensate for the lower price, also resulting in lower revenue and profits.
	2.5.B.3 Businesses measure customer responsiveness to price changes and how price changes will impact sales and revenue by measuring price elasticity of demand. Businesses that face more elastic (responsive) demand are limited in their ability to raise prices compared to businesses that face more inelastic (less-responsive) demand.
	EXCLUSION STATEMENT Calculating price elasticity of demand is beyond the scope of the AP Business with Personal Finance Exam but can usefully be introduced to prepare students for AP Microeconomics.

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LEARNING OBJECTIVE	ESSENTIAL KNOWLEDGE
2.5.C Describe legal constraints that limit pricing power.	**2.5.C.1** Colluding with competitors to set an agreed-upon price (typically used to set one higher than the competitive market price) is illegal in many countries, including the U.S. **2.5.C.2** Price gouging—the practice of raising the price of a product with increased demand due to a crisis—is illegal in many U.S. states and in many countries. **2.5.C.3** Price discrimination—the practice of charging different prices to different customer segments for the same product—is illegal when done on the basis of race, nationality, sex, or another protected status.

TOPIC 2.6
Place and Channels

BUSINESS CASE
Students explore how a business decides which marketing channels it should use to best reach its target customers.

PROJECT LINK
Operations
Task 7: Select a potential marketing channel or channels.

Required Course Content

LEARNING OBJECTIVE

2.6.A
Describe the types of marketing channels available to businesses.

ESSENTIAL KNOWLEDGE

2.6.A.1
Place is used to describe where and how customers access products; for example, whether products are available in retail stores, in company-owned stores, through club memberships, and/or online.

2.6.A.2
Place is determined by a business's marketing channels (also called distribution channels), which are the final stage of a supply chain. A *marketing channel* consists of all of the individuals and businesses required to deliver a finished product to the final customer.

2.6.A.3
Businesses that sell consumer products use business-to-consumer (B2C) marketing channels, such as websites and retail stores. Businesses that sell business products use business-to-business (B2B) channels, such as industrial distributors.

2.6.A.4
Businesses distribute products through either direct channels, which connect them directly to their customers with no intermediaries, or indirect channels, which include intermediaries such as wholesalers and retailers.

2.6.A.5
Specific distribution channels are legally required for some products, such as prescription medications and products that pose health or safety risks.

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LEARNING OBJECTIVE	ESSENTIAL KNOWLEDGE
2.6.B Select and evaluate potential marketing channels for a product.	**2.6.B.1** Businesses select from a variety of direct and indirect marketing channels by comparing the costs and potential profitability of each channel, the customer experience in each channel, and the ability of each channel to deliver the product to the target customers. **2.6.B.2** Businesses may select direct channels, such as websites or company-owned retail stores because these channels enable a business to maintain more control over pricing and the customer experience. These channels may be more costly to establish and more limited in reach, and the business may need to acquire expertise in sales and distribution. **2.6.B.3** Businesses may select indirect channels when they expect the expertise and networks offered by distribution partners to reduce costs and provide access to more customers. In some cases, these channels are difficult for businesses to access because distributors and retail space may already be dominated by rivals.

BUSINESS CASE
Students explore how a business decides which promotional tools to use to effectively communicate with its target customers.

PROJECT LINK
Customer
Task 8: Develop a marketing campaign, including digital marketing tools.

TOPIC 2.7
Promotion and Marketing Communications

Required Course Content

LEARNING OBJECTIVE

2.7.A
Develop or evaluate a marketing campaign.

ESSENTIAL KNOWLEDGE

2.7.A.1
A *marketing campaign* refers to a coordinated effort to promote a product to potential customers using all or some of the marketing tools in the promotional mix.

2.7.A.2
The promotional mix consists of five tools used to communicate with customers: media advertising, personal selling, sales promotion, direct marketing, and public relations. These tools are used to communicate messages that differentiate products, build brand loyalty, and increase sales and revenue.

2.7.A.3
Businesses strategically use different tools to address how customers make buying decisions for specific products. A customer making a consequential purchase may require detailed, personalized interaction to make a decision, while a customer making a more routine purchase may be satisfied by messages and information conveyed by mass media or direct-marketing materials.

2.7.A.4
Businesses may select media advertising (e.g., TV, radio, newspapers, and billboards) when they want to reach a large number of customers with the same message, such as a commercial or advertisement, at the same time.

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LEARNING OBJECTIVE	ESSENTIAL KNOWLEDGE
2.7.A Develop or evaluate a marketing campaign.	**2.7.A.5** Businesses may select personal selling when they want to provide detailed product information or a demonstration to a potential customer. Personal selling may include a sales pitch—a short presentation that conveys the product's value proposition—to complete a sale. **2.7.A.6** Businesses may select sales promotions (e.g., discounts and coupons) when they want to encourage more rapid customer decision making or to reduce unsold inventory. **2.7.A.7** Businesses may select direct marketing (e.g., flyers and brochures) when they want to reach many potential customers with a targeted message. **2.7.A.8** Businesses may select public relations (e.g., press releases and media interviews that result in media coverage) when they want to create a favorable public image rather than advance a specific sale.
2.7.B Explain how digital marketing tools have changed business interactions with customers.	**2.7.B.1** Digital marketing is the use of the internet and digital technology tools, such as websites, email, social media, and mobile apps, to connect with and serve customers. In the early 21st century, businesses shifted marketing resources away from traditional advertising such as newspaper, magazine, radio, and TV ads, toward digital tools and platforms. **2.7.B.2** Digital marketing tools enable businesses to reach potential customers, whether global audiences or targeted customer segments, with greater personalization and at lower cost than traditional tools. **2.7.B.3** Digital marketing tools enable businesses to collect a large volume of information—known as *big data*—about how customers respond to marketing communication and which factors make them more likely to buy. Some traditional tools, such as personal selling, permitted this type of data collection on a small scale, but other traditional tools, such as TV ads and billboards, did not.

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AP BUSINESS WITH PERSONAL FINANCE

UNIT 3 – Part 1

Personal Saving and Borrowing

25–35%
AP EXAM WEIGHTING
(Weighting applies to Unit 3 Parts 1 & 2)

~6
CLASS PERIODS

Personal Saving and Borrowing

Developing Understanding

In Unit 3, students shift their attention from how businesses interact with consumers to how both consumers and businesses manage their financial health, including how they generate income, spend and save their earnings, access external funds, and use financial accounting to monitor progress toward their goals.

In Unit 3 – Part 1, students learn how consumers engage with the financial system—first as savers who may set aside some of their current income to meet future goals and prepare for emergencies, then as borrowers who may access loans and credit to help them pay for purchases that exceed their current resources. Students also learn about barriers to saving, potential consequences of debt, and strategies to improve a household's financial stability.

This unit introduces students to key concepts including assets and liabilities, interest rates and terms on loans, risks and returns, and the importance of good credit management. This will help students navigate the world of business accounting and financial management in Unit 3 – Part 2 as well as help prepare them for future financial success.

Building Course Skills

Students develop skills in identifying and describing internal and external factors, such as impulse buying and economic stability, that create challenges and opportunities for individuals and households. They apply personal finance concepts and principles to explain individuals' financial choices. In addition, students practice their financial decision-making skills by evaluating options for growing savings and managing debt and making recommendations to achieve goals. Developing these strengths prepares them for business decision making in Units 3 and 4 and the Financial Advisor Project in Unit 5.

Preparing for the AP Exam

Unit 3 – Part 1 introduces students to both household and individual finances. It then explores strategies for taking advantage of opportunities and overcoming challenges to achieve financial goals, which are key concepts in preparing for the exam. AP Exam questions will ask students to interpret and explain individuals' financial situations and decision making related to a variety of personal finance concepts, including earning income, saving, borrowing, credit, and investing. In addition, the Personal Finance FRQ on the exam will ask students to examine a household's current financial situation and make an informed recommendation to help them achieve their goals.

UNIT AT A GLANCE

Topic	Business Case	Business Canvas Activity	Personal Finance Standards*	6 Class Periods**
3.1 Saving for Future Purchases			Earning Income 12-9 Earning Income 12-10 Spending 12-2 Saving 12-1 Saving 12-2 Saving 12-3 Saving 12-4 Saving 12-5 Saving 12-6 Saving 12-7 Saving 12-9 Investing 12-2	3
3.2 Borrowing, Credit, and Debt			Credit 12-1 Credit 12-2 Credit 12-6 Credit 12-7 Credit 12-8 Credit 12-9 Credit 12-10 Credit 12-11 Credit 12-12 Credit 12-13	3

*The personal finance standards listed refer to the National Standards for Personal Financial Education (2021). See the Appendix (p. 285) for a complete list and accompanying descriptions. Topics in this unit focus entirely on personal finance concepts aligned to the Council for Economic Education/Jump$tart Coalition National Standards for Personal Financial Education; as such, no additional topic margin notes are provided to highlight specific alignment.

**Total class periods are inclusive of course content and the integration of relevant personal finance standards.

TOPIC 3.1

Saving for Future Purchases

Required Course Content

LEARNING OBJECTIVE

3.1.A
Describe reasons consumers save, and identify barriers to saving.

ESSENTIAL KNOWLEDGE

3.1.A.1
Consumers typically earn income by working for an organization such as a business, nonprofit, or government entity and spend income to buy products that address their problems, needs, and wants. Some individuals receive income from other sources, such as self-employment, rental properties, government programs, investments, or retirement accounts.

3.1.A.2
Consumers often save a portion of their income for significant future purchases, such as a car, a home, or college tuition. Individuals also save to prepare for future emergencies, such as job loss or illness, and to have a source of income in retirement.

3.1.A.3
Saving creates a personal asset and may earn interest, which can be a source of current or future income. Interest payments are determined by the interest rate, the amount of savings, the type of savings vehicle, and conditions in the economy.

3.1.A.4
Consumers may be incentivized to save through programs such as automated savings plans (which allocate a set amount of income to savings during each pay period), retirement savings plans (which allow individuals to save on taxes when they save for retirement), and health savings accounts (which allow individuals to save on taxes when they allocate money for health-related expenses).

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PERSONAL FINANCE LINK

Earning Income
Earning Income 12-9
Earning Income 12-10
Spending
Spending 12-2
Saving
Saving 12-1
Saving 12-2
Saving 12-3
Saving 12-4
Saving 12-5
Saving 12-6
Saving 12-7
Saving 12-9
Investing
Investing 12-2

LEARNING OBJECTIVE	ESSENTIAL KNOWLEDGE
3.1.A Describe reasons consumers save, and identify barriers to saving.	**3.1.A.5** Consumers may face barriers that make saving difficult; for example, inconsistent income or recurring expenses that exceed income. Psychological forces such as instant gratification, lifestyle inflation, and impulse buying also make saving difficult.
3.1.B Explain how PESTEL factors can impact the value of savings and incentives to save.	**3.1.B.1** Economic factors influence saving because the overall stability and performance of the economy affects individuals' incomes and the cost of living. Either loss of income in a weak economy or increased cost of living in a strong economy may make saving more difficult because individuals may have less available income after paying necessary expenses. **3.1.B.2** Inflation—an increase in the prices of goods and services—is an economic factor that erodes the purchasing power of savings because money will buy fewer goods and services in the future. The expected loss of purchasing power can disincentivize savings. **3.1.B.3** Political factors influence saving because government tax policies may incentivize savings, for example, by allowing individuals to not pay income taxes on a portion of income that they place in designated accounts for retirement, health care, childcare, or other purposes. **3.1.B.4** Legal factors influence saving because government agencies regulate financial institutions, such as commercial banks and credit unions, to improve consumer protection and the financial stability of these institutions.
3.1.C Develop or evaluate a savings plan.	**3.1.C.1** Consumers decide how much of their income to save based on their personal and financial goals as well as their current income and expenses; individuals are likely to save more if they have defined goals and face fewer barriers.

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LEARNING OBJECTIVE	ESSENTIAL KNOWLEDGE
3.1.C Develop or evaluate a savings plan.	**3.1.C.2** Consumers decide how and where to keep their savings based on how much they are saving, their goals, their available time frame, the impact of PESTEL factors, and their evaluation of the benefits and costs of various savings vehicles offered by financial institutions such as banks and credit unions. These vehicles include savings accounts, money market accounts, and certificates of deposit. **3.1.C.3** Consumers consider interest rates, fees, minimum deposit requirements, and potential risk as well as location, convenience, and reputation when selecting a financial institution and type of account. Individuals choosing a savings vehicle often face tradeoffs, such as higher minimum balances or other requirements for accounts that pay higher interest. **3.1.C.4** A savings account is a deposit account at a financial institution that typically pays interest and is insured by the federal government up to a maximum amount ($250,000 as of 2024), which means the consumer does not lose their deposit if the bank goes out of business. Depositors may pay monthly fees on savings accounts. The minimum deposit required to open an account, the interest rate, and the fees to maintain the account differ by institution. **3.1.C.5** A money market account is similar to a savings account and is also federally insured. Compared to a savings account, a money market account may require a larger minimum deposit, charge higher monthly fees, pay higher interest rates, and provide easier access to cash; these features differ by institution.

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LEARNING OBJECTIVE

3.1.C
Develop or evaluate a savings plan.

ESSENTIAL KNOWLEDGE

3.1.C.6
A certificate of deposit (CD) is similar to a savings account and is also federally insured. A CD typically pays a higher rate of interest than a savings account or money market account, but depositors are restricted from withdrawing their funds for a set period of time—usually one month to five years. A CD typically requires a larger minimum deposit but no monthly fee; these features differ by institution.

3.1.C.7
Some individuals store savings in vehicles such as mobile payment accounts, which make the money easy to spend, or cryptocurrency accounts, which users hope will gain value as an asset. Unless offered by insured financial institutions, these vehicles are not federally insured and typically do not pay interest.

TOPIC 3.2
Borrowing, Credit, and Debt

PERSONAL FINANCE LINK
Credit
Credit 12-1
Credit 12-2
Credit 12-6
Credit 12-7
Credit 12-8
Credit 12-9
Credit 12-10
Credit 12-11
Credit 12-12
Credit 12-13

Required Course Content

LEARNING OBJECTIVE

3.2.A
Describe reasons consumers borrow money and the funding sources available to them.

ESSENTIAL KNOWLEDGE

3.2.A.1
Consumers typically borrow money because they want to spend money on goods or services that exceed their current income and accumulated savings, such as a car, a house, or college tuition. Consumers may also borrow money to address an emergency, to maintain savings while purchasing goods and services, or because of convenience.

3.2.A.2
Borrowing creates a personal liability or debt, and consumers must repay borrowed money (loans) with interest. The interest rate charged and the repayment terms vary based on the lender, the type of loan, the amount of money borrowed, and the borrower's credit history. Loans used to buy items that can serve as collateral, such as cars and houses, are secured loans and typically have lower interest rates than general consumer loans, which are unsecured.

3.2.A.3
Financial institutions such as commercial banks and credit unions make loans to consumers and to businesses, nonprofits, and government entities based on the deposits received from individual savers, businesses, and other entities.

3.2.A.4
Credit card companies, retail stores, mortgage lenders, and alternative financial services, such as payday loans, check-cashing services, and instant tax refunds, also lend money to consumers.

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LEARNING OBJECTIVE	ESSENTIAL KNOWLEDGE
3.2.A Describe reasons consumers borrow money and the funding sources available to them.	**3.2.A.5** Consumer protection laws require lenders to communicate credit terms clearly and explicitly to borrowers; these laws also govern debt collection tactics and prohibit discriminatory lending practices.
3.2.B Explain how a lender evaluates the creditworthiness of a potential borrower.	**3.2.B.1** Lenders face the risk that a borrower will default—meaning that the borrower will not repay the loan—so they typically prefer lending to individuals who pose less risk, for example, consumers with low existing debt, high income and savings, and a history of repaying loans on time. Lenders willing to make loans to higher-risk individuals, including alternative financial services, typically charge higher interest rates. **3.2.B.2** Lenders collect information about a potential borrower's income, savings, and existing debt as well as credit reports detailing their past use of credit to determine the consumer's creditworthiness. **3.2.B.3** Credit reports are created by credit bureaus (also called credit reporting agencies), which collect information each time a consumer interacts with a financial institution; for example, opening a savings account, securing a bank loan, applying for a credit card, or making a payment. **3.2.B.4** A credit report includes a credit score reflecting the consumer's past use of credit. These reports can be shared with potential lenders, potential employers, potential landlords, insurance companies, and government agencies.
3.2.C Recommend a strategy to manage a consumer's existing debt and/ or use of credit.	**3.2.C.1** High levels of debt can harm a consumer's financial condition because payments on loans reduce the amount of income available to save or use for other expenses. Larger debts and/ or higher interest rates require higher monthly payments.

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LEARNING OBJECTIVE

3.2.C

Recommend a strategy to manage a consumer's existing debt and/ or use of credit.

ESSENTIAL KNOWLEDGE

3.2.C.2

Borrowers may face difficulty repaying loans for a variety of reasons, including loss of income or monthly payments that exceed the consumer's ability to pay.

3.2.C.3

Borrowers can manage the impact of debt on their finances by maintaining a high credit score, seeking better terms on loans, and repaying high-interest-rate loans (e.g., credit card debt) as quickly as possible.

3.2.C.4

Strategies to improve an individual's credit score include paying bills on time, paying off existing debt, and minimizing use of credit cards.

3.2.C.5

Borrowers can obtain better terms on loans, including lower interest rates and lower fees, by comparing the terms offered by different lenders and by making down payments on major purchases like a home or car. A down payment requires using some income or saved money to pay part of the cost of the purchase.

3.2.C.6

Individuals who face negative consequences from unmanageable debt, such as property seizures, may be able to seek debt management assistance. In some cases, borrowers may seek bankruptcy—a legal process that eliminates some debts and helps the borrower set up a repayment plan for other debts.

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AP BUSINESS WITH PERSONAL FINANCE

UNIT 3 – Part 2

Business Finance and Accounting

25–35%
AP EXAM WEIGHTING
(Weighting applies to Unit 3 Parts 1 & 2)

~29
CLASS PERIODS

Businesses Finance and Accounting

Developing Understanding

Effective financial management is essential to business viability. Without sufficient revenue to cover expenses and generate income, even a great business idea can fail. Nearly every aspect of business—from product launch and daily operations to innovation and growth—requires funding. Therefore, the ability to acquire, allocate, and track money is a critical business skill.

Building upon the foundational knowledge of the financial system from Unit 3 – Part 1, this unit introduces students to key financial aspects of launching and operating a business. Students learn how a business determines its startup and recurring costs and how it can obtain capital to launch the business. Students consider the potential benefits and risks that lenders and investors face when providing financial capital to businesses, and explain why individuals may choose to purchase financial assets like stocks and bonds. Students also consider how both businesses and individuals use insurance to reduce some types of risk. Unit 3 – Part 2 introduces students to the three key financial statements used in business—income statements, balance sheets, and cash flow statements—as well as to household financial statements such as budgets and statements of net worth.

Building Course Skills: Business Cases

In Unit 3 – Part 2, the provided business cases introduce students to both fictional and real-world businesses facing critical financial challenges, such as how to obtain startup funding, how to address rising resource costs, and how to manage cash flow. Through the study of the provided cases, students develop their skills in interpreting and presenting financial data. Students also begin examining business decision making from a financial perspective.

Each case provided by the AP Program includes a recommended opening activity, reading questions, and discussion prompts to help students apply new knowledge. For more guidance on using cases effectively in the classroom, see the **Guide to Teaching with Cases**.

Building Course Skills: Business Canvas Project

Students apply their understanding of business finance and accounting to develop their Business Canvas Project in Unit 3 – Part 2. Students develop a list of projected startup costs and initial expenses, determine potential sources of startup funding, and create a projected or real income statement. During this unit, students also learn to communicate the viability of their business idea to potential investors through accurate financial statements and a pitch that conveys the value proposition of their product.

Preparing for the AP Exam

Unit 3 – Part 2 introduces students to financial data and statements, which are key concepts in preparing for the exam. AP Exam questions will ask students to describe and interpret financial data, determine financial values using calculations, and evaluate business performance using financial statements and profitability measures. The Business Decision FRQ on the exam will ask students to apply financial criteria as a part of developing a strategy recommendation.

UNIT AT A GLANCE

Topic	Business Case	Business Canvas Activity	Personal Finance Standards*	29 Class Periods** (~5-6 days for the Business Canvas Project)
3.3 Accounting and Financial Management			Spending 12-1 Spending 12-9 Investing 12-14	2
3.4 Business Expenses	DK Coffee Lab, Part 1	Task 1: Determine startup costs and initial expenses associated with launching a new business/product.	Managing Risk 12-1 Managing Risk 12-2 Managing Risk 12-3	4
3.5 Financial Capital	DK Coffee Lab, Part 2	Tasks 2 and 3: Determine potential source(s) of financial capital and develop a pitch to prospective lenders or investors.	Earning Income 12-8 Investing 12-1 Investing 12-2 Investing 12-3 Investing 12-5	4
3.6 The Income Statement	Hershey	Task 4: Develop an actual or projected income statement for a business, including a revenue projection.	Spending 12-1 Spending 12-7 Spending 12-9	5
3.7 The Balance Sheet and Net Worth	DCH DK Coffee Lab, Part 3			5
3.8 The Cash Flow Statement	AANE			3
3.9 Ethics and Financial Reporting	Yardley		Investing 12-12	3
Unit 3 Formative Assessment				3

*The personal finance standards listed refer to the National Standards for Personal Financial Education (2021). See the Appendix (p. 285) for a complete list and accompanying descriptions.

**Total class periods are inclusive of course content, Business Canvas Project activities, and the integration of relevant personal finance standards.

TOPIC 3.3

Accounting and Financial Management

Required Course Content

LEARNING OBJECTIVE	ESSENTIAL KNOWLEDGE
3.3.A Explain why businesses and consumers track and evaluate financial data.	**3.3.A.1** Businesses engage in a variety of financial transactions such as buying resources, receiving payment from customers, distributing profits to owners, and saving and borrowing funds. These transactions affect the business's assets, liabilities, and *owners' equity*, which is the value of the business to its owners. **3.3.A.2** Consumers engage in a variety of financial transactions, such as receiving income, buying goods and services, saving, and borrowing, that affect their assets, liabilities, and net worth. **3.3.A.3** Businesses record all financial transactions and use this data to prepare reports and financial statements that summarize the business's financial performance. Financial statements are used to monitor the business's financial health, guide decision making, provide accurate information to shareholders, investors, and lenders, and ensure compliance with laws and reporting regulations. **3.3.A.4** Generally accepted accounting principles (GAAP) require corporations that sell ownership shares to the public to consistently disclose all positive and negative financial information for each reporting period, typically quarterly (every three months) or annually.

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PERSONAL FINANCE LINK

Spending

Students examine how using an organized system, such as a budget, to track personal financial transactions can help consumers monitor their finances and make decisions aligned to their financial goals.

Spending 12-1

Spending 12-9

Investing

Students examine the role of financial advisors and accountants in helping individuals with financial planning, decision making, and tax preparation.

Investing 12-14

LEARNING OBJECTIVE	ESSENTIAL KNOWLEDGE
3.3.A Explain why businesses and consumers track and evaluate financial data.	**3.3.A.5** Consumers are not usually required to record or report financial transactions; however, having an organized system, such as a budget, for tracking financial transactions helps consumers monitor their finances and make decisions aligned to their financial goals.
3.3.B Describe the roles of accounting and finance departments in the preparation, reporting, and use of financial information.	**3.3.B.1** Accounting departments identify and record all financial transactions during a time period and prepare financial statements. **3.3.B.2** Managerial accountants provide financial information and analysis to managers and other internal stakeholders for the purpose of business planning and decision making. **3.3.B.3** Financial accountants provide financial information and analysis primarily to external stakeholders—specifically shareholders, investors, and lenders. **3.3.B.4** Finance departments are responsible for analyzing the financial data compiled by accounting departments and recommending strategies for maintaining or improving a business's financial performance. **3.3.B.5** Consumers may hire financial advisors and/or accountants to help with financial planning and decision making as well as tax preparation.

TOPIC 3.4

Business Expenses

Required Course Content

LEARNING OBJECTIVE	ESSENTIAL KNOWLEDGE
3.4.A Determine startup costs associated with launching a new business or product.	**3.4.A.1** Startup costs are the one-time expenditures associated with launching a new business or product as well as initial expenses incurred while establishing the business. **3.4.A.2** One-time expenditures include legal fees, incorporation and licensing fees, and in some cases equipment purchases. **3.4.A.3** A business's initial expenses include occupancy expense, research and development, marketing, insurance, and the costs associated with production or acquisition of initial inventories. All of these expenses become ongoing once the business begins operation.
3.4.B Describe expenses associated with operating a business.	**3.4.B.1** Businesses classify their recurring costs as either direct or indirect. Direct costs are tied to the production or delivery of specific goods or services. Indirect costs, also called *operating expenses*, are the costs associated with running the business. **3.4.B.2** Recurring costs can also be fixed or variable. *Fixed expenses* do not change with production or service levels, while *variable expenses* will increase as production/service levels increase.

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BUSINESS CASE

Students explore how a fictional entrepreneur determines the startup costs and initial expenses associated with launching a business.

PROJECT LINK

Finance/Accounting

Task 1: Determine startup costs and initial expenses associated with launching a new business/product.

PERSONAL FINANCE LINK

Managing Risk

Students examine the purpose of insurance for individuals and how risk tolerance may impact individuals' decisions about how much insurance they require.

Managing Risk 12-1

Managing Risk 12-2

Managing Risk 12-3

LEARNING OBJECTIVE

3.4.B

Describe expenses associated with operating a business.

ESSENTIAL KNOWLEDGE

3.4.B.3

Businesses that produce goods incur direct costs called the *cost of goods sold (COGS)*. COGS typically includes the cost of raw materials, production supplies, production-related wages and benefits, and the cost to operate manufacturing facilities. The components of COGS can be either fixed or variable; rent for a factory is fixed, while raw materials costs are variable.

3.4.B.4

For businesses that provide services, the direct costs are called *cost of sales* and include direct labor expenses, travel costs, and any materials associated with delivering the service.

3.4.B.5

Businesses face recurring indirect costs, called *operating expenses*. These costs, which are typically fixed, include occupancy expenses, salaries and benefits for office and sales staff, marketing and advertising costs, supplies, utilities, maintenance, and insurance.

3.4.B.6

Businesses (and consumers) buy insurance to protect against financial losses from accidents, injuries, or property damage. Some types of insurance are required—for example, workers compensation insurance—but many are optional. Businesses (and consumers) vary in their willingness to accept risk and/or pay for insurance to minimize risk.

TOPIC 3.5

Financial Capital

Required Course Content

LEARNING OBJECTIVE	ESSENTIAL KNOWLEDGE
3.5.A Explain why businesses seek external financial capital.	**3.5.A.1** Many entrepreneurs initially rely on bootstrapping (i.e., using personal savings), personal bank loans, and/or personal credit to fund startup costs.
	3.5.A.2 Entrepreneurs evaluate their need for external *financial capital* (cash) by comparing their personal funds to their business's initial needs and by calculating how many goods or services they would need to sell in a period to break even (cover all costs for the period).
	3.5.A.3 Entrepreneurs seek external financial capital if they lack the funds required to pay startup costs and operating costs for a sufficient period of time to break even.
	3.5.A.4 Established businesses seek external financial capital for a variety of reasons, including financing new product development, replacing fixed assets, and increasing sales volume and revenue.
	3.5.A.5 New and established businesses often seek external financial capital to manage cash flow because revenue collection can be irregular, while expenses must nonetheless always be paid.

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BUSINESS CASE

Students explore how a fictional entrepreneur evaluates potential funding sources and secures external financial capital.

PROJECT LINK

Finance/Accounting

Tasks 2 and 3: Determine potential source(s) of financial capital and develop a pitch to prospective lenders or investors.

PERSONAL FINANCE LINK

Earning Income

Students examine how investors can generate income, including interest, dividends, and capital gains, from financial investments, such as bonds and stocks.

Earning Income 12-8

Investing

Students examine the potential risks and returns of financial investments, explore the factors that may cause prices of financial assets to fluctuate, and consider how risk tolerance impacts personal investing decisions.

Investing 12-1

Investing 12-2

Investing 12-3

Investing 12-5

LEARNING OBJECTIVE	ESSENTIAL KNOWLEDGE
3.5.B Determine potential sources of financial capital for a business.	**3.5.B.1** Most sources of financial capital are classified as loans or equity financing. **3.5.B.1.i** *Business loans* are similar to personal loans and must be repaid with interest. Interest on loans is a business expense, and higher interest rates and/or larger loans increase the cost of borrowing for businesses. **3.5.B.1.ii** *Equity financing* is a type of business funding that requires issuing ownership shares and ceding some control over decisions and a portion of future profits to investors, who become part owners. **3.5.B.2** New businesses, typically those in operation for less than two years, often borrow money from the owners' friends and family or use equity financing by issuing (selling) ownership shares to others, including friends and family or outside investors. **3.5.B.3** Established businesses, typically those in operation for at least two years with proven revenue and capacity to repay, can obtain funds through business bank loans. **3.5.B.4** Businesses organized as corporations can obtain funds by issuing bonds or shares of stock. A bond represents a loan from an investor to a business. Stock is an ownership share in the business and can be sold privately or publicly.
3.5.C Describe potential benefits and risks to lenders and investors who provide financial capital to businesses.	**3.5.C.1** In exchange for the financial capital they provide to businesses, lenders and investors obtain financial assets—loans (including bonds) or shares of stock. These assets can be resold in a secondary market. **3.5.C.2** Lenders receive income from interest payments on loans. A bond pays interest to the bond holder. When an individual consumer buys a corporate bond in the secondary market, they become a lender to the business.

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LEARNING OBJECTIVE	ESSENTIAL KNOWLEDGE
3.5.C Describe potential benefits and risks to lenders and investors who provide financial capital to businesses.	**3.5.C.3** Investors may receive income from *dividends*, which represent their share of a business's profits; however, some corporations reinvest earnings into the business and do not pay dividends. When an individual consumer buys a share of stock in the secondary market, they become an investor (shareholder) in the business. **3.5.C.4** If an investor sells an asset at a higher price than they paid for it, they achieve a *capital gain*. The prices of financial assets such as bonds and stocks change in response to business performance, investor demand, and PESTEL forces. **3.5.C.5** The annual *rate of return* on an investment is determined by dividing the total dollars gained (the sum of income and any capital gain) by the price of the asset. **3.5.C.6** Lenders and investors risk financial loss if a business performs poorly. Lenders risk losses if the business is unable to make interest payments or repay loans. Investors risk lost income (dividends) and decreased stock value if the business's profits decline, and they may lose their entire financial stake if a business shuts down. **3.5.C.7** Lenders and investors vary in their *risk tolerance*, which is their willingness to take financial risks. Some consumers and institutional lenders and investors have a high risk tolerance and will provide financial capital to fund risky or unproven ideas, while others are more cautious. Lenders and investors expect a higher rate of return when they invest in riskier assets.

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LEARNING OBJECTIVE	ESSENTIAL KNOWLEDGE
3.5.D Develop and evaluate a pitch to prospective lenders or investors.	**3.5.D.1** Lenders and investors often require businesses to provide a business plan that includes their value proposition, market research, marketing strategy, and financial projections to justify a specific funding request, rate of return, and level of risk. A business owner typically develops a polished pitch summarizing this key information to persuade potential lenders and investors to provide their business with capital.
	3.5.D.2 When evaluating a funding request from an established business, lenders and investors rely on the business's financial reports and projections as well as external industry data to estimate the economic valuation of the business. A valuation provides prospective investors with an estimate of what an ownership share is worth and helps lenders assess the business's capacity to repay a loan.
	3.5.D.3 A funding request is more likely to be successful when the business provides evidence of product-market fit and a basis for its financial projections. Lenders and investors typically prefer funding projects with lower risk and higher projected returns.
	3.5.D.4 In evaluating a request for financial capital, lenders and investors may also consider the qualifications of the business's leadership team and whether the business's value proposition and mission align with the funders' goals.

TOPIC 3.6

The Income Statement

Required Course Content

LEARNING OBJECTIVE

3.6.A
Determine and describe components of a business income statement.

ESSENTIAL KNOWLEDGE

3.6.A.1
An *income statement*, also referred to as a *statement of profit and loss*, is a financial statement that compares a business's total revenue to its total costs over a time period to determine the business's net profit or loss. An income statement typically provides multiple periods (e.g., years, quarters, or months) of data for comparison purposes.

3.6.A.2
An income statement organizes income and cost information into three major categories: revenue, cost of goods sold (COGS), and operating expenses. Income statements also identify interest, taxes, and nonrecurring expenses.

3.6.A.3
For income statement purposes, *revenue* is the income generated by a business's core activities, such as sales of goods and services.

3.6.A.4
Gross profit describes the profit earned after deducting only the direct costs of production; it is calculated by subtracting COGS from revenue.

3.6.A.5
Operating expenses are the indirect costs a business incurs and are typically organized as selling expenses (e.g., advertising costs and salespeople's salaries) and general and administrative expenses (e.g., office salaries, rent on office space, and insurance). Research and development spending is also included in operating expenses.

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BUSINESS CASE
Students explore how a business uses the revenue and cost information on an income statement to identify and respond to financial challenges.

PROJECT LINK
Finance/Accounting
Task 4: Develop an actual or projected income statement for a business, including a revenue projection.

PERSONAL FINANCE LINK
Spending
Students examine how budgeting helps consumers manage their income and expenses and assess whether they are meeting their financial goals, including managing debt, saving for future expenses, and donating to charitable organizations.

Spending 12-1
Spending 12-7
Spending 12-9

LEARNING OBJECTIVE	ESSENTIAL KNOWLEDGE
3.6.A Determine and describe components of a business income statement.	**3.6.A.6** *Operating profit* is the profit earned after deducting COGS and operating expenses and represents the business's net income before interest and taxes; it is calculated by subtracting operating expenses from gross profit. **3.6.A.7** *Interest expense* is the cost of borrowing money through loans (including bonds). *Pretax income* is calculated by subtracting interest expense from operating profit. **3.6.A.8** If pretax income is positive, businesses must pay taxes on that income; any tax expense is included on the income statement. **3.6.A.9** *Net profit*, or income after taxes, is the final dollar amount reported on a typical income statement. It is calculated by subtracting taxes from pretax income. Net profit is known as the bottom line and represents the profit or income earned by the business's owners at the end of a given period. **EXCLUSION STATEMENT** Adjustments to gross sales for the purpose of calculating net sales, the composition of cost of goods sold, nonoperational sources of income and expenses (except interest), and below-the-bottom-line income statement items are beyond the scope of the AP Business with Personal Finance Exam.
3.6.B Evaluate the financial performance of a business using income statement information.	**3.6.B.1** Income statement information is used by internal and external stakeholders to monitor trends in revenues and costs, evaluate profitability, and inform decisions related to improving future profitability. **3.6.B.2** *Gross profit margin*, which is calculated as gross profit divided by total revenue, is used to evaluate how successfully a business is setting prices and managing its direct costs.

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LEARNING OBJECTIVE	ESSENTIAL KNOWLEDGE
3.6.B Evaluate the financial performance of a business using income statement information.	**3.6.B.3** *Operating profit margin*, which is calculated as operating profit divided by total revenue, is used to evaluate how successfully a business is marketing and selling its product(s), administering the activities of the business, and controlling operating expenses. **3.6.B.4** *Net profit margin*, which is calculated as net profit divided by total revenue, is used to evaluate overall profitability. Net profit margin describes the percentage of revenue that flows to owners as income. **3.6.B.5** Gross profit margin, operating profit margin, and net profit margin are typically benchmarked against projections, past performance, and performance by competitors as a means of determining whether the business's financial performance is meeting expectations. **3.6.B.6** Businesses use the percentage change equation to determine the rate of change for any data point. For example, a business evaluating financial performance may calculate the rate of change in its income, cost, profit, or profit margin. Percent change = [(Current Value – Initial Value) / Initial Value] x 100.
3.6.C Explain why and how businesses and consumers predict and plan for future income and expenses.	**3.6.C.1** Businesses and consumers face financial uncertainty because incomes and expenses fluctuate in response to changing needs and wants, competitive pressure within markets, and PESTEL forces. Thoughtful planning can help both businesses and consumers meet financial goals. **3.6.C.2** Businesses develop projected income statements and/or budgets to plan for revenues, costs, and resulting profit/loss for a period (e.g., a month, a quarter, or a year). Projected income statements and budgets describe estimates of all expenses involved in running the business and predicted revenues, given projected production and sales levels.

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LEARNING OBJECTIVE	ESSENTIAL KNOWLEDGE
3.6.C Explain why and how businesses and consumers predict and plan for future income and expenses.	**3.6.C.3** Projected income statements and budgets help businesses plan for expected costs, identify funding needs, and maintain enough cash to meet current obligations. **3.6.C.4** Consumers use budgets to plan saving and spending allocations based on expected income. A consumer budget describes expected net pay (income after taxes and other deductions) for a period, typically a month or a year, and all planned savings and expenses including debt payments. **3.6.C.5** Budgets help consumers identify spending patterns and assess whether they are meeting their financial goals, including managing debt, saving for future expenses, and donating to charitable organizations whose missions they support.
3.6.D Develop an income statement or projected income statement for a business.	**3.6.D.1** Businesses use current financial data tracking revenues, expenses, and taxes to develop income statements. **3.6.D.2** Businesses predict future revenues and expenses (and estimated taxes) to develop projected income statements. **3.6.D.3** Future revenues are estimated based on planned pricing strategies and market research about customer demand and industry trends. **3.6.D.4** Future COGS and operating expenses are estimated based on planned production processes, the cost of supply chain components, and other projected expenses, such as occupancy expenses, marketing expenses, office and sales salaries, and planned research and development.

TOPIC 3.7

The Balance Sheet and Net Worth

Required Course Content

LEARNING OBJECTIVE	ESSENTIAL KNOWLEDGE
3.7.A Determine and describe components of a business balance sheet.	**3.7.A.1** A *balance sheet* is a financial statement that compares a business's assets to its liabilities and owners' equity—the net worth of the business to its owners at a specific point in time. According to the *balance sheet equation* (also called the *fundamental accounting equation*), assets equal liabilities plus owners' equity. **3.7.A.2** The assets listed on a balance sheet include every item of value owned by a business, grouped according to liquidity into current assets, long-term assets, and intangible assets. **3.7.A.2.i** Liquidity refers to the ease with which an asset can be converted into cash. **3.7.A.2.ii** Current assets, including cash, short-term investments, accounts receivable (money owed to a business by customers), and inventory, are considered highly liquid and are used to fund the day-to-day operations of businesses. **3.7.A.2.iii** Long-term assets, including fixed assets and long-term investments, are considered less liquid. Fixed assets such as production plants are used to run business operations.

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BUSINESS CASE

Students explore how a fictional business uses a balance sheet to determine the business's value and assess its ability to fund day-to-day operations.

PERSONAL FINANCE LINK

Students examine how investors and lenders interpret balance sheets to evaluate the financial condition of a business. Students also examine the concept of personal net worth by considering how potential lenders may use information about a household's net worth as part of the loan application process and how net worth factors into retirement planning.

LEARNING OBJECTIVE

3.7.A

Determine and describe components of a business balance sheet.

ESSENTIAL KNOWLEDGE

3.7.A.2.iv

Intangible assets, such as patents, brand names, and trademarks, are not physical items but have value because they represent potential revenue.

3.7.A.3

The liabilities listed on a balance sheet represent debts or obligations owed by a business, grouped into current and long-term liabilities, in order of when payment is due.

3.7.A.3.i

Current liabilities include accounts payable (money owed to a business's suppliers), short-term debt, current payments on long-term debt, and accrued (unpaid) operating expenses. These liabilities must be paid within one year.

3.7.A.3.ii

Long-term liabilities, such as mortgages, bank loans, and long-term bonds, represent obligations to pay beyond one year.

3.7.A.4

Owners' equity—the net worth of a business—is the difference between assets and liabilities. Owners' equity is often comprised of stock and retained earnings, which are the business's cumulative profits not paid out as dividends.

3.7.A.5

A balance sheet typically provides a snapshot of comparable data (e.g., the end of a quarter) from a previous year or multiple years for purposes of comparison.

LEARNING OBJECTIVE

3.7.B

Interpret the information in a business's balance sheet.

ESSENTIAL KNOWLEDGE

3.7.B.1

Internal stakeholders, such as business managers and owners, as well as external stakeholders, such as lenders and investors, use balance sheets to evaluate the financial condition of a business at a point in time (e.g., the end of a year or quarter).

3.7.B.2

A balance sheet indicates whether a business has a positive net worth, whether it has sufficient *working capital* to fund day-to-day operations (current assets meet or exceed current liabilities), and whether its debt level is comparable to similar businesses.

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LEARNING OBJECTIVE	ESSENTIAL KNOWLEDGE
3.7.B Interpret the information in a business's balance sheet.	**3.7.B.3** Business owners may shut down a business or pursue bankruptcy if the business cannot access sufficient current assets to fund operations. Bankruptcy is a legal process through which a business can liquidate assets, eliminate or repay debts, and either shut down or reorganize the business under legal supervision.
3.7.C Describe the purpose of determining personal net worth.	**3.7.C.1** Personal net worth is typically calculated for a household, which may include more than one individual. Net worth is determined by adding all of the household's assets, including savings and investments, property, and personal possessions, and subtracting all liabilities. **3.7.C.2** Lenders may require information about a consumer's household net worth as part of the loan application process. **3.7.C.3** Consumers and financial planners consider net worth when determining whether individuals have sufficient savings to retire.

TOPIC 3.8
The Cash Flow Statement

BUSINESS CASE
Students explore how a nonprofit identifies and addresses an annual operating deficit and an ongoing cash flow challenge.

Required Course Content

LEARNING OBJECTIVE

3.8.A
Determine and describe components of a business's cash flow statement.

ESSENTIAL KNOWLEDGE

3.8.A.1
A *cash flow statement* is a financial statement used by businesses to show how cash inflows and outflows impact a business's cash balance over the course of a financial reporting period.

3.8.A.2
Businesses closely monitor cash balances to ensure there is sufficient cash available to pay recurring expenses (e.g., payroll and rent), repay lenders, and manage unforeseen expenses.

3.8.A.3
Cash inflows increase a business's cash balance and typically include payments from customers, interest or dividends earned on investment assets, proceeds received from the sales of a business's assets, and/or infusions of financial capital, such as money raised by taking out a new loan.

3.8.A.4
Cash outflows decrease a business's cash balance and typically include payments to employees and suppliers, interest expense paid on existing loans, taxes paid to the government, money spent to purchase assets, money spent on debt repayment, and dividends.

3.8.A.5
A business's cash flow may be positive or negative at the end of a period.

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LEARNING OBJECTIVE

3.8.B
Explain how a business's stakeholders use cash flow statement information.

ESSENTIAL KNOWLEDGE

3.8.B.1
The cash flow statement is used to assess a business's ability to meet its financial obligations, including its ability to pay its employees, suppliers, creditors, and shareholders.

3.8.B.2
Negative cash flow may signal that a business is unable to pay its current expenses, which could lead to shut down or bankruptcy even if net income is positive. In such a situation, the business may need to raise more funds, collect accounts receivable faster, or obtain better terms from suppliers and lenders to continue operating.

TOPIC 3.9
Ethics and Financial Reporting

BUSINESS CASE
Students examine how and why an employee at a fictional business is tempted to behave unethically for personal gain.

PERSONAL FINANCE LINK
Investing
Students examine how regulation of financial markets is designed to ensure that investors have access to accurate information and are protected from fraud.
Investing 12-12

Required Course Content

LEARNING OBJECTIVE	ESSENTIAL KNOWLEDGE
3.9.A Explain why an individual or a business might be incentivized to engage in unethical financial management and reporting practices.	**3.9.A.1** Unethical practices in finance include misuse of funds, tax evasion, embezzlement, bribery, lack of transparency, and fraud, which can include falsifying information on financial statements. **3.9.A.2** Access to large sums of a business's cash creates a situation where individuals may seek to embezzle, misuse funds, or falsify information for personal gain. **3.9.A.3** A business or its financial managers may be able to influence stock prices, secure better terms on loans, or avoid taxes by portraying its financial situation to stakeholders and to the government as better or worse than it really is.
3.9.B Explain how laws and professional codes of conduct encourage ethical behavior by accounting and financial managers.	**3.9.B.1** Misusing funds, tax evasion, embezzlement, bribery, and fraud are illegal in most countries, but laws and punishments vary from country to country. **3.9.B.2** Under U.S. law, publicly held corporations are required to submit financial records annually for auditing by independent accounting firms. Financial market regulations are designed to ensure that investors have access to accurate information and are protected from fraud.

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LEARNING OBJECTIVE	ESSENTIAL KNOWLEDGE
3.9.B Explain how laws and professional codes of conduct encourage ethical behavior by accounting and financial managers.	**3.9.B.3** Professional organizations for accountants and financial managers maintain professional ethics codes for their members. Such codes emphasize honesty, integrity, transparency, objectivity, and confidentiality. **3.9.B.4** Many businesses develop internal mechanisms, such as codes of conduct, audit requirements, and cash-handling processes, to prevent unethical behavior.

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AP BUSINESS WITH PERSONAL FINANCE

UNIT 4

Management and Strategy

15–20%
AP EXAM WEIGHTING

~30
CLASS PERIODS

Management and Strategy

Developing Understanding

Launching a new business and achieving market viability are significant accomplishments for an entrepreneur, but even then the work is far from done. Once a business is established, leaders must transition from building the business to effectively managing it. This shift requires strong leadership, teamwork, and the ability to identify and solve problems. Unit 4 introduces students to core concepts of management and strategy and the tools business leaders use to evaluate organizational progress, identify targets for improvement, and achieve their goals.

This unit examines the tools businesses use to track performance, such as key performance indicators (KPIs), and to assess their external environment and internal capacities, such as Porter's Five Forces and SWOT analysis. Unit 4 also highlights the importance of recruiting and retaining skilled employees. Students learn about the types of work arrangements, compensation schemes, and incentives they may encounter in a future workplace.

Building Course Skills: Business Cases

The provided business cases in Unit 4 introduce students to new and established businesses that track financial performance, market share, and other KPIs to guide strategic decisions. Explaining opportunities and problems facing businesses, identifying and evaluating courses of action, and making evidence-based recommendations are some of the ways that the cases help students refine their decision-making skills.

Each case provided by the AP Program includes a recommended opening activity, reading questions, and discussion prompts to help students apply new knowledge. For more guidance on using cases effectively in the classroom, see the **Guide to Teaching with Cases**.

Building Course Skills: Business Canvas Project

In Unit 4, students apply entrepreneurial thinking, decision making, and communication skills to finalize their Business Canvas Project. They apply business tools to assess the desirability, viability, and feasibility of their product idea. Students set KPIs for their business and use strategic frameworks to evaluate and improve their business's competitiveness in the market. Finally, students use communication skills to create their final canvas, pitch, data visualization, and income statement.

Preparing for the AP Exam

Unit 4 engages students in a structured decision-making process using the PACED (problem, alternatives, criteria, evaluation, decision) model. This process prepares students to identify and use relevant criteria to evaluate potential courses of action, which is the focus of the Business Decision FRQ. Additionally, the Business Canvas Project Exam-Day Validation FRQ will ask students to respond to questions about their project and the desirability, viability, and feasibility of their business idea.

UNIT AT A GLANCE

Topic	Business Case	Business Canvas Activity	Personal Finance Standards*	30 Class Periods ** (~15-16 days for the Business Canvas Project)
4.1 Management and Leadership	Assort Health Canva	Task 1: Identify skills and core competencies.	Earning Income 12-1 Earning Income 12-2 Earning Income 12-3 Earning Income 12-4 Managing Risk 12-5 Managing Risk 12-6	4
4.2 Evaluating Performance Using KPIs	BREAUX Capital	Task 2: Identify KPIs and benchmarks related to customer-related goals, market-related goals, operations-related goals, and finance-related goals.		3
4.3 Strategy and Decision Making	ExpressionMed	Task 3: Make a strategic decision to address a problem or opportunity using the PACED model.		4
4.4 Strategic Frameworks: Porter's Five Forces and SWOT Analysis	Crepes & Waffles Square Meal Feeds	Task 4: Use strategic frameworks—Porter's Five Forces and SWOT analysis—to evaluate the competitive landscape and the business's internal capabilities.		6
Unit 4 Formative Assessment				3
Business Canvas Project		Task 5: Prepare the final business canvas and appendix.		10

*The personal finance standards listed refer to the National Standards for Personal Financial Education (2021). See the Appendix (p. 285) for a complete list and accompanying descriptions.

**Total class periods are inclusive of course content, Business Canvas Project activities, and the integration of relevant personal finance standards.

TOPIC 4.1

Management and Leadership

Required Course Content

LEARNING OBJECTIVE

4.1.A

Describe the function of management.

ESSENTIAL KNOWLEDGE

4.1.A.1

Management is the process of planning, organizing, leading, and evaluating a business's employment of human, financial, and physical resources to meet the business's goals and objectives.

4.1.A.2

Management includes the decisions, actions, and leadership of managers at all levels of a business, from executive leaders to supervisors.

4.1.A.3

Managers who lead specialized departments in a business are responsible for coordinating the activities of employees to ensure that their work is aligned to the business's vision and mission.

LEARNING OBJECTIVE

4.1.B

Identify and demonstrate effective leadership and business communication skills.

ESSENTIAL KNOWLEDGE

4.1.B.1

Leadership and communication skills are valued in business because leaders and managers need to collaborate and communicate effectively with a wide variety of stakeholders, including supervisors, colleagues, employees, lenders, investors, customers, and the public.

4.1.B.2

Key leadership skills include the ability to articulate the business's vision and mission, build productive teams, negotiate conflicts, and motivate people. Motivated employees are more productive, more likely to stay, and more likely to build strong positive relationships with customers, coworkers, and teams, all of which contribute to business performance.

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BUSINESS CASE

Students explore how a business recruits and hires employees with the essential core competencies, experiences, and backgrounds needed to produce and deliver its products to customers.

PROJECT LINK

Organization

Task 1: Identify skills and core competencies.

PERSONAL FINANCE LINK

Earning Income

Students examine why businesses require skilled employees with a variety of core competencies and how employees are recruited, compensated, and trained. Students also examine employee benefits, such as training and educational reimbursement programs, as well as intangible benefits used to motivate and retain employees, such as autonomy, flexibility, and recognition.

Earning Income 12-1
Earning Income 12-2
Earning Income 12-3
Earning Income 12-4

Managing Risk

Students examine employee benefits, such as contributions to health insurance, health savings plans, and disability insurance.

Managing Risk 12-5
Managing Risk 12-6

LEARNING OBJECTIVE	ESSENTIAL KNOWLEDGE
4.1.B Identify and demonstrate effective leadership and business communication skills.	**4.1.B.3** Key communication skills for leaders, managers, and employees include expressing ideas clearly, communicating persuasively, listening empathetically, and correctly interpreting and responding to feedback.
4.1.C Explain why businesses need to hire and develop employees with a variety of core competencies.	**4.1.C.1** Business leaders and managers hire employees to do the day-to-day work of a business; for example, producing and providing products, marketing to customers, making sales, and managing finances. **4.1.C.2** Businesses need employees with a variety of core competencies, experiences, and backgrounds because of the different types of tasks to be done, although some tasks may be outsourced, especially if they are outside the business's core competencies and/or operating activities. **4.1.C.3** Hiring and/or developing skilled employees is essential to business viability because employees who lack skills or adequate training may create flawed products or provide poor service, which can cause the business to lose customers, brand reputation, and revenue. Some skills or attributes may be rare or require extensive training. **4.1.C.4** Employee training may include postsecondary education, apprentice programs, on-the-job training, online training, and continuing education.
4.1.D Explain how businesses compensate, motivate, and seek to retain high-quality employees.	**4.1.D.1** Businesses hire some employees to work full time, while others are hired as part-time, temporary, or contract employees. **4.1.D.2** Employees may be paid using a variety of compensation schemes such as hourly wage, annual salary, commission, piece rate pay, or profit sharing. The type of compensation depends on the industry, the employee role, legal guidelines (e.g., minimum wage), and the degree to which businesses must outbid rivals to secure high-quality employees.

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LEARNING OBJECTIVE	ESSENTIAL KNOWLEDGE
4.1.D Explain how businesses compensate, motivate, and seek to retain high-quality employees.	**4.1.D.3** Employers generally determine compensation by evaluating factors like education, skills, and productivity.
	4.1.D.4 Employee compensation may include benefits such as contributions to health insurance, retirement savings plans, health savings plans, disability insurance, educational reimbursement programs, and paid time off.
	4.1.D.5 Many businesses use incentives, like raises, promotions, or bonuses, to motivate and retain employees because it is typically more cost-effective to keep high-quality employees than to recruit and train new ones. Businesses may also seek to motivate and retain employees by providing them autonomy, flexible work hours or locations, recognition and rewards, flexible scheduling, and a positive workplace culture.

TOPIC 4.2
Evaluating Performance Using KPIs

BUSINESS CASE
Students explore how an entrepreneur develops and uses KPIs to measure the effectiveness of strategy and the business's progress toward its goals.

PROJECT LINK
Customer/Market, Operations, Finance/Accounting

Task 2: Identify KPIs and benchmarks related to customer-related goals, market-related goals, operations-related goals, and finance-related goals.

Required Course Content

LEARNING OBJECTIVE	ESSENTIAL KNOWLEDGE
4.2.A Describe key performance indicators (KPIs) used to evaluate business performance.	**4.2.A.1** A *key performance indicator (KPI)* is a data point used to measure a business's performance, including progress toward short- and long-term goals and the effectiveness of strategy. **4.2.A.2** Managers select KPIs that relate to their stated mission and goals, profitability, and their ability to remain competitive and viable in the long term. KPIs vary based on the characteristics of the business and the industry in which it operates.
4.2.B Develop or interpret financial and nonfinancial KPIs to monitor a business's financial health and progress toward goals.	**4.2.B.1** Businesses monitor financial health using a variety of KPIs, such as revenue, gross profit, gross profit margin, operating profit, operating profit margin, COGS, operating expenses, and cash flow. **4.2.B.2** Businesses measure progress toward marketing and sales goals using a variety of KPIs, such as customer acquisition cost, customer lifetime value, customer satisfaction ratings, customer retention data, total sales, and market share. **4.2.B.3** Businesses measure progress toward operations goals using a variety of KPIs, such as per-unit cost, delivery cost, order accuracy, and percentage of deliveries received on time.

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LEARNING OBJECTIVE

4.2.C
Explain how businesses use benchmarks.

ESSENTIAL KNOWLEDGE

4.2.C.1
A *benchmark* is a reference point used to compare data to a standard. Businesses may base benchmarks on internal historical data or external industry standards.

4.2.C.2
Businesses compare KPI data to selected benchmarks to assess performance against a known standard.

TOPIC 4.3
Strategy and Decision Making

BUSINESS CASE
Students explore how an entrepreneur uses evidence to make a strategic decision.

PROJECT LINK
Organization
Task 3: Make a strategic decision to address a problem or opportunity using the PACED model.

Required Course Content

LEARNING OBJECTIVE

4.3.A
Explain how and why businesses develop and use strategy to achieve goals.

ESSENTIAL KNOWLEDGE

4.3.A.1
A strategy is a plan or approach to achieving a goal. *Business strategy* describes how a business will achieve one or more goals, such as achieving competitive advantage, fulfilling the business's mission, increasing revenues, reducing costs, or increasing profits. Businesses pursue differing strategies based on their unique capabilities, their competitive landscape, and their industry.

4.3.A.2
Businesses typically identify, gather, and track specific data to define a strategy, evaluate the effectiveness of the strategy, and modify the strategy. This data often includes information about a business's financial performance, customers, competitors, or broader trends in the business's market.

4.3.A.3
Defining a clear strategy facilitates the mobilization and alignment of resources to meet an articulated goal or address a challenge, thus increasing the likelihood of success.

4.3.A.4
Businesses use strategy to guide decision making and the development of tactics, which are actions or approaches intended to advance the strategy.

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LEARNING OBJECTIVE	ESSENTIAL KNOWLEDGE
4.3.B Apply a deliberative process to make a business decision.	**4.3.B.1** Managers and individuals often use deliberative processes to make major decisions. A deliberative process includes defining the problem to address or decision to be made, developing alternatives (or options), establishing decision-making criteria, and evaluating alternative courses of action to decide on the best approach, which may be referred to as the PACED model. **4.3.B.2** Decision-making criteria include key costs and benefits to be considered, including both quantifiable costs and benefits (e.g., impact on production costs, total sales, and profits) and intangible costs and benefits (e.g., impact on reputation, mission, and core values). **4.3.B.3** Decision-making criteria typically include financial considerations such as which option provides the greatest return on investment (ROI), which is a measure of the additional profit generated by an investment divided by the cost of the investment. Criteria may also include market considerations (e.g., the implications of each option in terms of competitiveness), operational considerations (e.g., the impact of each option on supply chain risk), and organizational considerations (e.g., the impact of each option on employees). **4.3.B.4** Managers use strategic frameworks to evaluate alternative courses of action. Strategic frameworks allow businesses to systematically evaluate relevant internal and external variables of an option against long-term goals and strategy. **4.3.B.5** Managers sometimes must prioritize conflicting criteria with limited or imperfect data, resulting in imperfect decision making.

TOPIC 4.4
Strategic Frameworks: Porter's Five Forces and SWOT Analysis

BUSINESS CASE
Students explore how strategic framework analysis can help a business evaluate the competitive landscape and the business's internal capabilities.

PROJECT LINK
Market
Task 4: Use strategic frameworks—Porter's Five Forces and SWOT analysis—to evaluate the competitive landscape and the business's internal capabilities.

Required Course Content

LEARNING OBJECTIVE

4.4.A
Describe Michael Porter's Five Forces strategic framework.

ESSENTIAL KNOWLEDGE

4.4.A.1
Michael Porter's Five Forces is a framework used to evaluate the competitive intensity, attractiveness, and potential profitability of a competitive environment. A business may use this framework when making a decision such as which new market to enter or which pricing strategy to adopt.

4.4.A.2
The five forces that shape competition are existing competitive rivalry, threat of new entrants, threat of substitute products, customer power, and supplier power. Each force describes how power held by a participant group (e.g., customers or suppliers) may threaten a business's ability to compete successfully in the environment.

4.4.A.3
Competitive rivalry describes the competitive intensity among existing businesses in the market, determined by the number of rival businesses, the degree of product differentiation, and the extent to which businesses have pricing power. Competitive rivalry is typically understood as the strongest determinant of competition in an environment.

4.4.A.4
Threat of new entrants describes the ease of entry into the competitive environment, which is determined by barriers to entry.

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LEARNING OBJECTIVE	ESSENTIAL KNOWLEDGE
4.4.A Describe Michael Porter's Five Forces strategic framework.	**4.4.A.5** Threat of substitute products describes the availability of substitute goods and services, which are products that can meet the same customer needs but are not direct competitors. **4.4.A.6** Customer power describes the buyers' power to drive prices lower, which is shaped by the number of customers, customer acquisition costs, and customers' switching costs. Switching costs are the monetary and psychological costs a customer incurs as a result of changing the product or brand they buy. **4.4.A.7** Supplier power describes the ability of resource providers to raise input costs—the prices they charge for raw materials and component parts. The competitiveness of the resource market determines how much power suppliers have to raise their prices.
4.4.B Apply Porter's Five Forces to evaluate the competitiveness of a market.	**4.4.B.1** An environment is less attractive to a business when the competitive forces are strong, reducing potential profitability. An environment is more attractive to a business when the competitive forces are weak, increasing potential profitability. **4.4.B.2** Businesses evaluate the threat posed by competitive rivalry by identifying the number of direct competitors and the degree to which their product offerings are differentiated. This threat is strong if there are many direct competitors with equivalent products and businesses have little pricing power. **4.4.B.3** Businesses evaluate the threat of new entrants by assessing barriers to entry and determining how easy or difficult it is for new businesses to compete. This threat is strong if barriers to entry are low and new businesses can easily enter and capture market share.

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LEARNING OBJECTIVE	ESSENTIAL KNOWLEDGE
4.4.B Apply Porter's Five Forces to evaluate the competitiveness of a market.	**4.4.B.4** Businesses evaluate the threat posed by substitute products by determining how easily customers can meet their needs with alternative goods and services. This threat is strong if customers possess access to a variety of alternative products that can meet their needs, particularly if those products are less expensive, easier to access, or higher quality. **4.4.B.5** Businesses evaluate the threat posed by customer power by assessing the number and significance of customers, customer acquisition costs, and customers' switching costs. This threat is strong if there are few customers, each customer represents a large share of sales, acquisition costs are high, and switching costs are low. **4.4.B.6** Businesses evaluate the threat posed by supplier power by assessing the number of potential resource providers and the cost of switching resource providers, as these factors affect the ability of suppliers to increase a business's input costs. This threat is strong if there are few resource providers to choose from and the cost to switch to a new provider is high.
4.4.C Describe SWOT analysis factors used to evaluate business viability.	**4.4.C.1** *SWOT analysis* is a framework used to evaluate internal and external factors that influence a business's ability to accomplish its goals and remain competitive. **4.4.C.2** The four factors included in SWOT analysis are strengths, weaknesses, opportunities, and threats. **4.4.C.3** Strengths are internal advantages, such as core competencies, brand recognition, intellectual property, product quality, ample funds, skilled employees, and supply chain efficiency.

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LEARNING OBJECTIVE	ESSENTIAL KNOWLEDGE
4.4.C Describe SWOT analysis factors used to evaluate business viability.	**4.4.C.4** Weaknesses are internal disadvantages, such as missing core competencies, low brand recognition, product flaws, limited funds, inability to staff skilled employees, poor customer service, outdated technology, and supply chain risks. **4.4.C.5** Opportunities are external factors beyond a business's control that may contribute to a business's success, such as market growth, reduced competition, technology advancements, and favorable changes in government regulation. **4.4.C.6** Threats are external factors beyond a business's control that may negatively impact the business, such as rising input costs, natural disasters, unfavorable changes in government regulation, and disruptive innovation that fundamentally changes the way customers meet their needs.
4.4.D Apply SWOT analysis to assess a business's internal capabilities and external opportunities and threats.	**4.4.D.1** SWOT analysis evaluates a business's internal capabilities, such as financial, physical, and human resources, as well as intangible assets, such as brand recognition, reputation, and intellectual property. These internal capabilities may be assessed in relation to rivals, industry benchmarks, past performance, and external factors to determine whether they constitute a strength or weakness. **4.4.D.2** SWOT analysis evaluates external factors—including potential market size, customer preferences, PESTEL (political, economic, social, technological, environmental, and legal) factors, and Porter's Five Forces—to determine whether they create a favorable climate for the business. **4.4.D.3** Businesses use the results of SWOT analysis to make strategic decisions about how to build on strengths, address weaknesses, capitalize on opportunities, and respond to threats.

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AP BUSINESS WITH PERSONAL FINANCE

UNIT 5

Personal Goals, Budgeting, and Investing

FINANCIAL ADVISOR PROJECT

~24
CLASS PERIODS
(+20 CLASS PERIODS FOR ADDITIONAL PERSONAL FINANCE COVERAGE)

Personal Goals, Budgeting, and Investing

Developing Understanding

In Unit 5, students connect the personal finance concepts they have learned throughout the course—the influence of PESTEL factors and career considerations in Unit 1; consumer decision making in Unit 2; saving, borrowing, and investing in Unit 3; and earning income in Unit 4—and explore in greater depth concepts such as taxes, risk, and insurance. Students practice interpreting a pay stub, planning a household budget, and analyzing how risk tolerance, time horizon, and spending habits impact a household's ability to build long-term financial security.

In this unit, students engage in a culminating Financial Advisor Project that combines their understanding of personal finance with their deliberative decision-making skills. Through this project, they prepare meaningful recommendations to help a fictional household achieve long-term financial goals related to postsecondary education, housing, retirement, and charitable giving.

This unit helps prepare students for future financial success, including planning for postsecondary education and developing thoughtful habits around spending and saving.

Building Course Skills: Financial Advisor Project

In Unit 5, students practice interpreting and presenting personal financial data and describing factors that create opportunities or problems for a fictional household, including issues such as debt, loss of income, and financial market volatility. As part of the project, students examine potential courses of action that could help the household achieve its goals (e.g., managing spending or taking on more risk) and recommend a course of action that aligns with the household's current situation, future needs, and risk tolerance.

Preparing for Your Financial Future

Unit 5 engages students in thinking deeply about long-term financial goals and the challenges households often face in pursuit of those goals. By acting as a financial consultant in a realistic scenario, students learn in a low-stakes environment how personal decisions (e.g., taking on excessive debt) and external factors (e.g., housing or medical costs) can pose obstacles to financial success. The skills and knowledge students acquire can help them manage similar challenges and apply effective decision-making skills in the future.

UNIT AT A GLANCE

Topic	Financial Advisor Project Activity	Personal Finance Standards*	24 Class Periods**
5.1 Taxes, Net Income, and Budgeting	Task 1: Identify financial goals. Task 2: Analyze income and spending.	Earning Income 12-6 Earning Income 12-7 Earning Income 12-8 Earning Income 12-9 Managing Risk 12-9	8
5.2 Managing Personal Risk	Task 3: Evaluate insurance and risk management.	Managing Risk 12-1 Managing Risk 12-2 Managing Risk 12-3 Managing Risk 12-4 Managing Risk 12-5 Managing Risk 12-7 Managing Risk 12-8 Managing Risk 12-10 Managing Risk 12-12	4
5.3 Saving and Investing for Education, Housing, and Retirement Goals	Task 4: Evaluate investment, saving, and giving strategies.	Earning Income 12-10 Spending 12-6 Saving 12-8 Investing 12-1 Investing 12-4 Investing 12-6 Investing 12-7 Investing 12-8 Investing 12-9 Investing 12-10 Investing 12-11 Investing 12-13 Investing 12-14 Credit 12-3 Credit 12-4 Credit 12-5	7
Students finalize their Financial Advisor Project	Culminating Event: Advising the clients		5

NOTE: An additional 20 class periods can be allocated to further personal finance coverage.

*The personal finance standards listed refer to the National Standards for Personal Financial Education (2021). See the Appendix (p. 285) for a complete list and accompanying descriptions. Topics in this unit focus entirely on personal finance concepts aligned to the Council for Economic Education/Jump$tart Coalition National Standards for Personal Financial Education; as such, no additional topic margin notes are provided to highlight specific alignment.

**Total class periods are inclusive of course content and Financial Advisor Project activities.

TOPIC 5.1

Taxes, Net Income, and Budgeting

PERSONAL FINANCE LINK

Earning Income

Earning Income 12-6

Earning Income 12-7

Earning Income 12-8

Earning Income 12-9

Managing Risk

Managing Risk 12-9

Required Course Content

LEARNING OBJECTIVE

5.1.A

Identify types of taxes paid by individuals.

ESSENTIAL KNOWLEDGE

5.1.A.1

Individuals pay taxes to federal, state, and local governments, including income taxes, capital gains taxes, specific payroll taxes, property taxes, and sales taxes. The types of taxes and amount of taxes paid varies by state.

5.1.A.2

Income taxes are the percentage of income that individuals pay to the government. For employees, a portion of each paycheck is typically withheld and paid to the government directly by the employer. Individuals or households file an annual income tax return to pay the remainder or, in the case of overpayment, receive a refund. Self-employed individuals are responsible for submitting their income taxes to the government.

5.1.A.3

Capital gains taxes are paid when an individual receives a capital gain. Capital gains taxes are submitted with an individual's or household's income tax return but paid at a different (typically lower) tax rate than income tax.

5.1.A.4

Certain payroll taxes fund specific government insurance programs and are also withheld from employee paychecks. In the U.S., these programs include Social Security, Medicare, Medicaid, and unemployment benefits. Employers are responsible for paying half of these taxes; self-employed individuals and contract workers must pay the full amount themselves.

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LEARNING OBJECTIVE	ESSENTIAL KNOWLEDGE
5.1.A Identify types of taxes paid by individuals.	**5.1.A.5** Property taxes are based on the value of an individual's property, including houses, land, and cars. Property tax bills may be paid annually, semi-annually, or monthly. **5.1.A.6** Sales taxes are based on the sales price of an item and are typically collected by the business selling the item. The business, such as a retail store, submits sales tax payments to the government.
5.1.B Explain why individuals and households pay different amounts of federal income tax in the U.S.	**5.1.B.1** The amount of income tax paid by an individual or household varies based on the individual's or household's income level, as well as tax deductions and tax credits. **5.1.B.2** The U.S. federal income tax (and some state income tax) is progressive, meaning that individuals and households earning higher incomes pay higher tax rates. **5.1.B.3** Individuals and households may qualify for specific tax deductions, which reduce their taxable income and thus the taxes owed. Tax deductions may include interest on a home mortgage, contributions to retirement accounts, the value of charitable donations, the amount paid in state and local taxes, and some medical expenses. **5.1.B.4** Individuals and households may qualify for specific tax credits, which directly reduce the amount of taxes owed. Tax credits may include a child tax credit, a child or dependent care tax credit, an education tax credit, or credits for specific purchases.
5.1.C Determine and describe components of an individual's pay stub.	**5.1.C.1** An individual's pay stub includes gross income (pay), mandatory and voluntary deductions, and net income (pay).

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LEARNING OBJECTIVE	ESSENTIAL KNOWLEDGE
5.1.C Determine and describe components of an individual's pay stub.	**5.1.C.2** Gross income is the total amount of income earned during a pay period. Gross income is determined by an annual salary (divided into pay periods), hours worked during a pay period, a specific contracted amount, or another compensation scheme. **5.1.C.3** Mandatory deductions from gross income are required by federal, state, and/or local laws and must be withheld by an employer. These deductions typically include income taxes and specific payroll taxes. **5.1.C.4** Voluntary deductions from gross income include any money the individual has set aside for employer-sponsored benefits such as health insurance, health and/or dependent care savings plans, life insurance plans, retirement savings, and union dues. **5.1.C.5** Some deductions are pretax deductions, which means the income allocated to these items is not included as part of taxable income. Pretax deductions can be an incentive to save because they reduce an individual's tax liability. **5.1.C.6** Net income or net pay is the amount of money an individual receives from an employer (as a paycheck) after all deductions are removed and may differ significantly from gross income.

TOPIC 5.2
Managing Personal Risk

PERSONAL FINANCE LINK
Managing Risk
Managing Risk 12-1
Managing Risk 12-2
Managing Risk 12-3
Managing Risk 12-4
Managing Risk 12-5
Managing Risk 12-7
Managing Risk 12-8
Managing Risk 12-10
Managing Risk 12-12

Required Course Content

LEARNING OBJECTIVE

5.2.A
Identify types of insurable risks individuals face.

ESSENTIAL KNOWLEDGE

5.2.A.1
Individuals face a variety of personal financial and physical risks; for example, the risk of a car accident that causes expensive damage or an illness that limits a person's ability to work.

5.2.A.2
Insurable risks are risks that involve a potential loss due to chance, such as an accident or weather event. In order to be considered insurable, a risk must also be quantifiable and statistically predictable, which means that an insurer can estimate the cost and likelihood of a potential loss.

5.2.A.3
Personal risk is an insurable risk involving the health and well-being of the insured individual, such as injury from an accident or suffering due to illness.

5.2.A.4
Property risk is an insurable risk involving property loss, such as damage to the insured individual's home or car.

5.2.A.5
Liability risk is an insurable risk involving another entity's or individual's property or personal health, such as damage to a parked car or a pedestrian caused by reckless driving.

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LEARNING OBJECTIVE	ESSENTIAL KNOWLEDGE
5.2.B Describe types of insurance individuals use to protect themselves from financial loss.	**5.2.B.1** Individuals can purchase different types of insurance, such as health insurance, auto insurance, homeowner's insurance, renter's insurance, and life insurance, to protect themselves from financial loss due to insurable risks.
	5.2.B.2 Insurance buyers pay an annual, semi-annual, or monthly premium for an insurance policy with a desired amount of coverage, and they can file a claim for reimbursement in the event of a financial loss.
	5.2.B.3 Health insurance reimburses policy owners for medically necessary health care and in some cases preventive care. Health insurance may be provided as an employee benefit where the employer pays some or all of the premiums.
	5.2.B.4 Auto, homeowner's, and renter's insurance policy holders can file claims for reimbursement for financial losses to personal property, as well as the cost of legal liability for any damage they cause to other people or property.
	5.2.B.5 Life insurance provides funds to designated beneficiaries in the event of the insured person's death and is often intended to replace lost income, pay end-of-life expenses, and/ or fund dependents' future financial needs.
	5.2.B.6 Extended warranties and service contracts on expensive purchases such as cars or appliances may serve as a type of insurance.
5.2.C Recommend appropriate insurance coverage based on an individual's or household's risk tolerance and needs.	**5.2.C.1** The amount and type of insurance coverage an individual or household needs depend on a variety of factors, including legal requirements, risk tolerance, and number of dependents.

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LEARNING OBJECTIVE	ESSENTIAL KNOWLEDGE
5.2.C Recommend appropriate insurance coverage based on an individual's or household's risk tolerance and needs.	**5.2.C.2** Some types of insurance are required; legal requirements vary between states (and nations). Most U.S. states require auto liability insurance, and lenders who provide home mortgages require homeowners to buy property insurance. **5.2.C.3** Individuals are typically able to decide how much insurance to purchase and how much risk to bear themselves. Individuals with low risk tolerance may purchase more comprehensive insurance with higher premiums to avoid unanticipated costs later, while individuals with higher risk tolerance may purchase less comprehensive insurance or insurance with higher deductibles, knowing that they may face higher out-of-pocket costs in the event of an emergency. **5.2.C.4** Individuals with dependents may require more insurance, such as family health insurance, insurance on multiple vehicles, and more life insurance to provide for dependents' future financial needs. **5.2.C.5** Individuals can reduce insurance premiums by reducing risky behavior; for example, by maintaining a good driving record (auto insurance) or by not smoking (life insurance). **5.2.C.6** Misrepresentation and falsified claims by individuals are considered insurance fraud, which is a crime. Misrepresentation of policies and benefits by insurance sellers is also insurance fraud.
5.2.D Explain how individuals and households can protect themselves from risks associated with financial fraud.	**5.2.D.1** Individuals and households face personal and financial risks due to predatory lending practices (e.g., deception and aggressive sales tactics) and fraudulent activities such as phishing, identity theft, and online scams.

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LEARNING OBJECTIVE

5.2.D

Explain how individuals and households can protect themselves from risks associated with financial fraud.

ESSENTIAL KNOWLEDGE

5.2.D.2

Individuals and households can protect themselves from predatory lending practices and products by comparing loan terms from a variety of sources, resisting pressure to quickly agree to loan terms, and seeking advice from nonprofit credit counselors before signing a loan agreement.

5.2.D.3

Individuals and households can protect themselves from financial fraud by evaluating the credibility of financial offers, resisting pressure to share personal or financial information online or by phone, freezing their own credit, and seeking legal aid if they have been a victim of a scam.

TOPIC 5.3

Saving and Investing for Education, Housing, and Retirement Goals

PERSONAL FINANCE LINK

Earning Income
Earning Income 12-10
Spending
Spending 12-6
Saving
Saving 12-8
Investing
Investing 12-1
Investing 12-4
Investing 12-6
Investing 12-7
Investing 12-8
Investing 12-9
Investing 12-10
Investing 12-11
Investing 12-13
Investing 12-14
Credit
Credit 12-3
Credit 12-4
Credit 12-5

Required Course Content

LEARNING OBJECTIVE

5.3.A
Explain how financial planning supports an individual's ability to achieve goals related to postsecondary education, housing, retirement, and charitable giving.

ESSENTIAL KNOWLEDGE

5.3.A.1
Long-term individual or household financial goals often include paying for postsecondary education (either for oneself or for a dependent), buying a home, and/or saving for retirement.

5.3.A.2
Postsecondary education decisions, such as where to attend school and what to study, depend on individual career goals and available funding. Postsecondary education is typically financed by a combination of savings, student loans, scholarships, grants, and work-study programs. Federal student loans may have lower interest rates and more favorable repayment terms than private student loans and may be government subsidized.

5.3.A.3
Housing decisions, such as where to live and whether to rent or buy a home, depend on individual preferences and available funding. Home purchases are typically financed by a combination of savings (a down payment) and borrowing, which requires qualifying for a mortgage loan. Monthly mortgage payments vary depending on the size of the loan, the repayment period, and the interest rate, which may be fixed or adjustable.

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LEARNING OBJECTIVE	ESSENTIAL KNOWLEDGE
5.3.A Explain how financial planning supports an individual's ability to achieve goals related to postsecondary education, housing, retirement, and charitable giving.	**5.3.A.4** Retirement decisions, such as when to retire and where to live in retirement, depend on individual preferences, personal health and well-being, and available funding. Retirement income typically comes from a combination of Social Security (in the U.S.), employer-sponsored retirement plans, personal investments, and continued earnings. **5.3.A.5** Families with combined finances (e.g., two-income married couples) can reduce potential financial strife by discussing and sharing long-term financial goals. **5.3.A.6** Some types of financial technology, such as automated savings plans or payroll deduction for retirement accounts, can overcome barriers that make saving difficult. **5.3.A.7** Decisions related to charitable giving, such as which organizations to support and the type of giving (e.g., one-time gifts, recurring donations, and legacy contributions), depend on individual goals and how they align to the mission and impact of nonprofit organizations. Charitable giving may have financial benefits, such as tax deductions.
5.3.B Describe factors that impact an individual's or household's return on financial assets.	**5.3.B.1** Individuals or households saving toward long-term financial goals may choose to hold their funds in a variety of financial assets including savings vehicles (e.g., savings accounts and CDs), individual stocks and bonds, and/or mutual funds that invest pooled money in stocks and/or bonds. **5.3.B.2** Individuals who begin saving and/or investing at a young age and hold financial assets for a long time are able to realize greater returns, due to compounding, than individuals who wait until later in life to begin saving and/or investing.

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LEARNING OBJECTIVE	ESSENTIAL KNOWLEDGE
5.3.B Describe factors that impact an individual's or household's return on financial assets.	**5.3.B.3** Financial assets vary with regard to potential risk (of losses) and expected returns. Some assets are low risk because they are government insured or provide guaranteed income. These assets typically have lower expected returns. Other assets, such as individual stocks, are higher risk because the value of the asset depends on the success of the business, but these assets are expected to provide higher returns.
	5.3.B.4 Individuals may face costs associated with buying, selling, and holding financial assets, including transaction fees, management fees, and fees for professional advice, which decrease return on investment. Individuals cannot purchase stocks or bonds without a broker, so many investors choose discount brokerage firms that charge lower fees and provide less investment advice than full-service firms.
	5.3.B.5 Taxes on investment returns, such as interest, dividends, and capital gains, decrease the return on investment. Investors often consider tax implications, including whether taxes must be paid and if so at what rate, when choosing financial assets.
	5.3.B.6 Inflation decreases the real return on an investment because inflation reduces the purchasing power of money over time. Investors typically consider both nominal (unadjusted) and inflation-adjusted returns when choosing financial assets.
	5.3.B.7 Common behavioral biases, such as overconfidence or loss aversion, may cause investors to make decisions that adversely impact their return on investment. Overconfidence may cause investors to take unnecessary risks, while loss aversion may cause investors to sell financial assets prematurely at a loss.

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LEARNING OBJECTIVE

5.3.C

Recommend a saving and investment plan based on the postsecondary education, housing, and retirement goals, time horizon, and risk tolerance of an individual or household.

ESSENTIAL KNOWLEDGE

5.3.C.1

Individuals or households pursuing long-term financial goals must decide how to allocate their funds among different financial assets. Typical considerations include how much funding is required, how much an individual or household can save each pay period, the investing time horizon, risk tolerance, and the expected rate of return from each type of asset.

5.3.C.2

Individuals or households with a longer time horizon are more likely to invest in financial assets with higher risk and higher expected return because they are able to wait for assets to regain value after a downturn. Individuals or households with a shorter time horizon are more likely to invest in safer financial assets because they may need to liquidate a financial asset during a downturn, which could result in losses or lower than expected returns.

5.3.C.3

Individuals or households with low risk tolerance typically use safer financial assets, such as federally insured savings accounts and CDs, and receive a lower rate of return, while those with higher risk tolerance are more likely to invest in financial assets such as stocks and mutual funds.

5.3.C.4

Individuals and households may seek advice from financial professionals to help evaluate their saving and investment options. Individuals and households seeking professional investment advice typically consider licensing, certifications, education, experience, and cost when selecting an advisor.

5.3.C.5

Financial advisors often suggest a diversification strategy, which means allocating funds to a variety of financial assets with different levels of risk and expected rates of return. Diversification allows investors to seek higher long-term returns without taking on excessive risk.

5.3.C.6

Individuals and households often compare the performance of their financial assets against a benchmark, such as a stock or bond index.

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AP BUSINESS WITH PERSONAL FINANCE

Guide to Teaching with Cases

Guide to Teaching with Cases

Why Teach with Cases

Business cases immerse students in real-world scenarios, fostering critical thinking, problem-solving, and decision-making skills essential for success in business. Case-based instruction is widely used by business schools, which is why cases are a core component of the AP Business with Personal Finance course. Through case analysis, students apply course concepts, develop key career skills such as collaboration and communication, and develop the analytical skills that support success on the AP Exam, in future coursework, and in their careers.

Cases used within this course fall into one of two categories:

- **Evaluation cases** illustrate how a business has capitalized on an opportunity or addressed a problem.
  - The DK Coffee Lab, Part 3 and Hershey evaluation cases include unique supplements to guide students in the development of the technical skills associated with creating financial statements.
- **Decision-making cases** describe a business facing a choice and ask students to recommend and support a course of action.

Recognizing the case type can help teachers determine the most effective way to facilitate discussion, frame relevant questions, and connect the case to course content.

Facilitating Case Discussions

Effective case teaching relies on meaningful classroom discussion that:

- Actively engages with course materials
- Deepens understanding of course concepts
- Strengthens use of business vocabulary
- Promotes critical thinking and peer collaboration

Case discussions can take place in whole-class or small-group formats. Dedicating class time to unpack case studies is essential for deepening students' understanding of course content and skills. The discussion questions below can help generate student interest and support student discourse. The teaching note for each AP-provided case offers specific discussion questions that focus on new content introduced in each case.

Types of Discussion Questions

The following question types can support meaningful dialogue by helping students analyze cases, explore perspectives, and apply business concepts in thoughtful ways:

- **Opening questions (engagement and comprehension)** spark student engagement and active involvement in the discussion.
  - Examples: "What was the most surprising part of this case?" "What is the central problem or opportunity in this situation?"

- **Decision-making questions** encourage students to take a stance and defend their reasoning.
    - Examples: "If you were the CEO, would you expand internationally or focus on domestic growth? Why?" "Should the company raise prices or cut costs to increase profitability?"
- **Hypothetical *what if?* questions** encourage creative thinking by considering alternate scenarios.
    - Examples: "What if the company had invested in digital marketing earlier?" "How would the situation change if the business had twice the marketing budget?"
- **Ethical or moral dilemma questions** explore values, ethics, and corporate responsibility.
    - Examples: "Should a company prioritize profits or employee well-being?" "Is it ethical for a business to use customer data for targeted advertising?"

Resources for Teaching with Cases

Each case provided by the AP Program aligns to a course topic and specific course skills. All cases—along with teaching notes and optional student questions—are accessible from AP Classroom. Case links in AP Classroom direct students to the case study and initial reading and practice questions; teachers have access to additional materials including a teaching note that includes an opening activity, suggested student responses, and open-ended discussion questions to support classroom instruction.

Teachers are encouraged to use the AP-provided cases and teaching notes but may also find or create their own. Any case material should:

- Be written at an introductory college level
- Illustrate unit objectives through real-world business situations
- Provide opportunities for students to identify business opportunities and problems, evaluate potential courses of action, and practice decision making

TEACHING NOTES

Each teaching note that accompanies the AP-provided cases includes the following:

- **Case overview:** The table on p. 142 outlines key details of the case and its connections to the AP Business with Personal Finance Course Framework and the through-course Business Canvas Project.
- **Opening activity:** This is a short activity designed to spark student interest.
- **Student-facing questions:** Questions appear for students and teachers alike, accompanied by answer keys for teacher use.
    - **Reading questions:** Consistent across cases, these questions help students to identify the key facts of the case.
    - **Practice questions:** These scaffolded questions allow students to apply previously learned content and skills to the case and offer valuable preparation for the AP Exam.
- **Discussion questions:** These questions are designed to guide classroom dialogue and connect the case to the targeted new course content and skills, and to answer the case's key question, which can be found in the case overview table. Key takeaways that may come out of the discussion are provided for teachers.

TEACHER TIP

The third reading question asks students to identify an opportunity or challenge facing the business in the case. In this context, opportunity should be interpreted as anything that makes it possible for a business or individual to take an action or achieve a goal.

- **Application activity:** This activity encourages students to apply case insights to another context, such as their Business Canvas Project, which reinforces learning transfer and the real-world relevance of course concepts.

These two rows provide key details about the business discussed in the case.

Students should be able to answer this key question after reading and discussing the case.

The type of case can help determine the direction of classroom discussion.

Cases connect to specific components of the Business Canvas Project.

Business	siggi's Icelandic Skyr	2002-2019	Real business
Protagonist(s)	Siggi Hilmarsson	**Role:** Entrepreneur	
Case Type	Evaluation	**Key Question:** How did siggi's develop an idea into a profitable product?	
Business Canvas Project Components	Customer, Product, Market		
Learning Objectives	**Review** Apply these previously learned LOs to this case 1.2.B 1.3.B, 1.3.C 1.4.A, 1.4.B, 1.4.C 1.5.A, 1.5.B, 1.5.C 1.8.B 2.2.A, 2.2.B, 2.2.C	**New** Teach these LOs using this case 2.4.A, 2.4.B, 2.4.C	**Future** Refer back to this case when teaching these LOs 2.6.A 3.4.A, 3.4.B 3.5.A, 3.5.B, 3.5.C 4.4.A, 4.4.B, 4.4.C, 4.4.D
Primary Skills	1.C, 2.B, 3.A		

Cases offer opportunities to reinforce prior learning, introduce new content, and can be referred to later in the course.

Cases provide opportunities for students to practice course skills.

Case Overview Table

Learning Objectives and Primary Skills

Each AP-provided case offers an opportunity to introduce learning objectives (LOs) and review LOs from previous units; the teaching note identifies future LOs that offer opportunities to revisit the case.

Cases play a vital role in helping students develop Skill Category 3: Decision Making. By engaging with real-world business scenarios, students learn to:

- Describe factors that affect a business and explain how and why they create opportunities and/or problems (Skill 3.A)
- Explain how potential courses of action could allow a business to capitalize on an opportunity or solve a problem (Skill 3.B)
- Establish decision-making criteria and use them to evaluate different courses of action a business may take (Skill 3.C)
- Recommend a course of action and support the recommendation with reasoning and evidence (Skill 3.D)

While not every case will address all skills within a category, the overview table and case type indicate the specific decision-making skills supported in each case.

Connection to the Business Canvas Project

Cases provide students with opportunities to practice business skills and apply insights to their Business Canvas Project. Each case highlights aspects of the business that relate to specific components of the Business Canvas Project, helping students understand how concepts apply in real-world contexts. This understanding can then be directly applied to their own business ideas.

AP BUSINESS WITH
PERSONAL FINANCE

Business Canvas Project Guide

Project at a Glance

Project Overview

The Business Canvas Project invites students—working alone or in teams of up to three—to apply course skills and content to an entrepreneurial idea of their choosing. This entrepreneurial idea (a good or service) must address an identified customer problem, need, or want. Though students are not expected to launch their business, the project is a required course component and students will be assessed on their project work through the Business Canvas Project Exam-Day Validation FRQ on the AP Exam. The project should be introduced in Unit 1 and integrated throughout Units 2–4. The Unit at a Glance tables in each Unit Guide include a suggested number of days for the Business Canvas Project and specific tasks to be accomplished within each unit and topic. The recommended pacing also includes a suggestion of approximately 10 days at the end of Unit 4 for students to finalize their Business Canvas Project and, if locally desired, tailor it for submission to various student business competitions. Recommended completion dates for each unit's project deliverables are included in this guide.

Project Goals

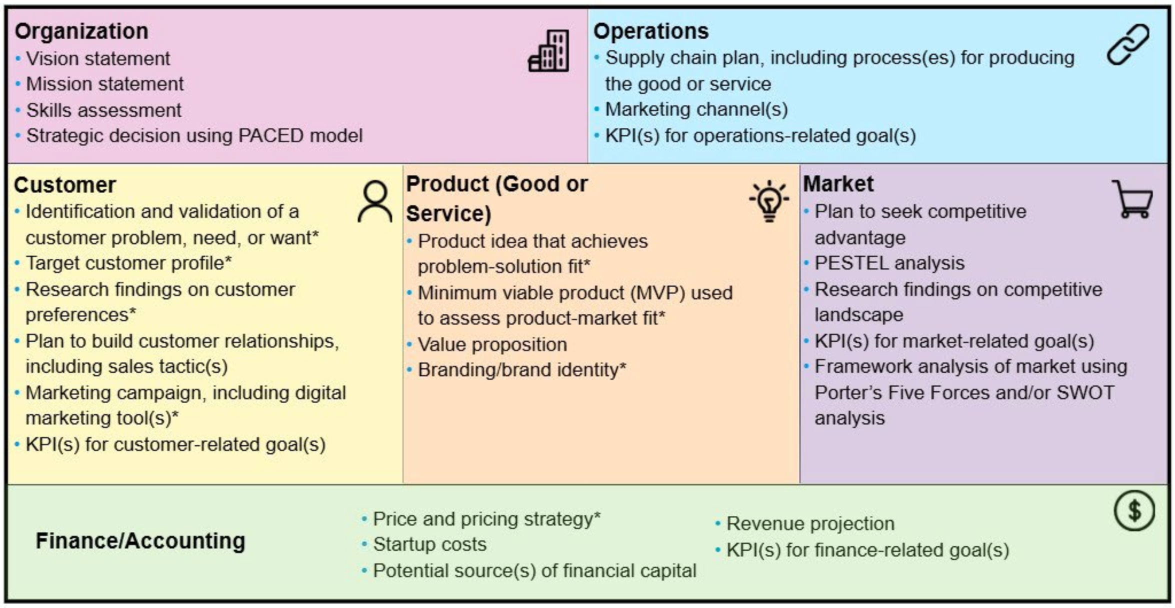
The Business Canvas Project provides students the opportunity to actively engage in real-world and personally meaningful project tasks as they acquire and master career-relevant skills and content knowledge.

Students gain entrepreneurial skills (Skill Category 2) as they identify a market opportunity, develop a product idea, test business hypotheses, and assess and explain the desirability, viability, and feasibility of their product. Through their project work, students also practice applying business concepts (Skill Category 1), making business decisions (Skill Category 3), communicating their ideas and findings (Skill Category 4), and collaborating meaningfully with peers (Skill Category 5). All project tasks (pp. 151–178) are aligned to both skills and learning objectives.

Some high school business teachers utilize class time to help students prepare their entries for various contests and competitions. The Business Canvas Project aligns well with these efforts. Note any differences between the AP Business Canvas Project requirements and those of specific competitions so students who want to enter competition(s) can extend their work to fulfill any additional contest requirements.

Project Description

The Business Canvas Project has six components: Organization, Operations, Customer, Product (Good or Service), Market, and Finance/Accounting. Students develop project deliverables related to each component throughout the course, as well as an appendix containing a written pitch, a projected income statement, and a data visualization. The Business Canvas Project image on p. 145 illustrates the components of the Business Canvas Project with the specific project deliverables associated with each component. A business canvas template for students to use is available on page 148, and on AP Classroom.



Appendix elements: Data visualization, Pitch, Actual or projected income statement
*Indicates a canvas element requiring hypothesis testing

Project components are integrated into Units 1–4. The chart on page 147 illustrates the required project deliverables to be completed by the end of each unit.

UNIT 1

In Unit 1, students identify a potential customer with a problem, need, or want; conduct customer interviews; develop their initial product idea; validate problem-solution fit; build a team (if applicable); evaluate a potential market; and prepare drafts of the following deliverables after conducting hypothesis testing where required:

- Customer – Identification and validation of a customer problem, need, or want*
- Product – Product idea that achieves problem-solution fit*
- Organization – Vision statement
- Organization – Mission statement
- Operations – Supply chain plan, including process(es) for producing the good or service
- Market – Plan to seek competitive advantage
- Market – PESTEL analysis

UNIT 2

In Unit 2, students continue to conduct research, including both primary-source customer research and secondary-source market research, using their findings to develop key elements of a marketing plan that includes digital marketing tool(s). By the end of Unit 2, students should have prepared drafts of the following deliverables after conducting hypothesis testing where required:

- Customer – Target customer profile*
- Customer – Plan to build customer relationships, including sales tactic(s)
- Customer – Research findings on customer preferences*

- Customer – Marketing campaign, including digital marketing tool(s)*
- Product – Minimum viable product (MVP) used to assess product-market fit*
- Product – Value proposition
- Product – Branding/brand identity*
- Operations – Marketing channel(s)
- Market – Research findings on competitive landscape
- Finance/Accounting – Price and pricing strategy*
- Appendix – Data visualization

UNIT 3

In Unit 3, students determine the financial requirements to launch their product and operate their business as a means of hypothesis testing its viability. By the end of Unit 3, students should have drafts of the following deliverables:

- Finance/Accounting – Startup costs
- Finance/Accounting – Potential source(s) of financial capital
- Finance/Accounting – Revenue projection
- Appendix – Pitch
- Appendix – Actual or projected income statement

UNIT 4

In Unit 4, students set measurable goals for their business idea, practice using the PACED (problem, alternatives, criteria, evaluation, and decision) strategic decision-making model, and use business frameworks to evaluate and decide on possible courses of action, culminating in a holistic assessment of the desirability, viability, and feasibility of their product. At the end of Unit 4, students revise and finalize all components of their business canvas and appendix, including the following new deliverables:

- Customer – KPI(s) for customer-related goal(s)
- Organization – Skills assessment
- Organization – Strategic decision using PACED model
- Operations – KPI(s) for operations-related goal(s)
- Market – KPI(s) for market-related goal(s)
- Market – Framework analysis of market using Porter's Five Forces and/or SWOT analysis
- Finance/Accounting – KPI(s) for finance-related goal(s)

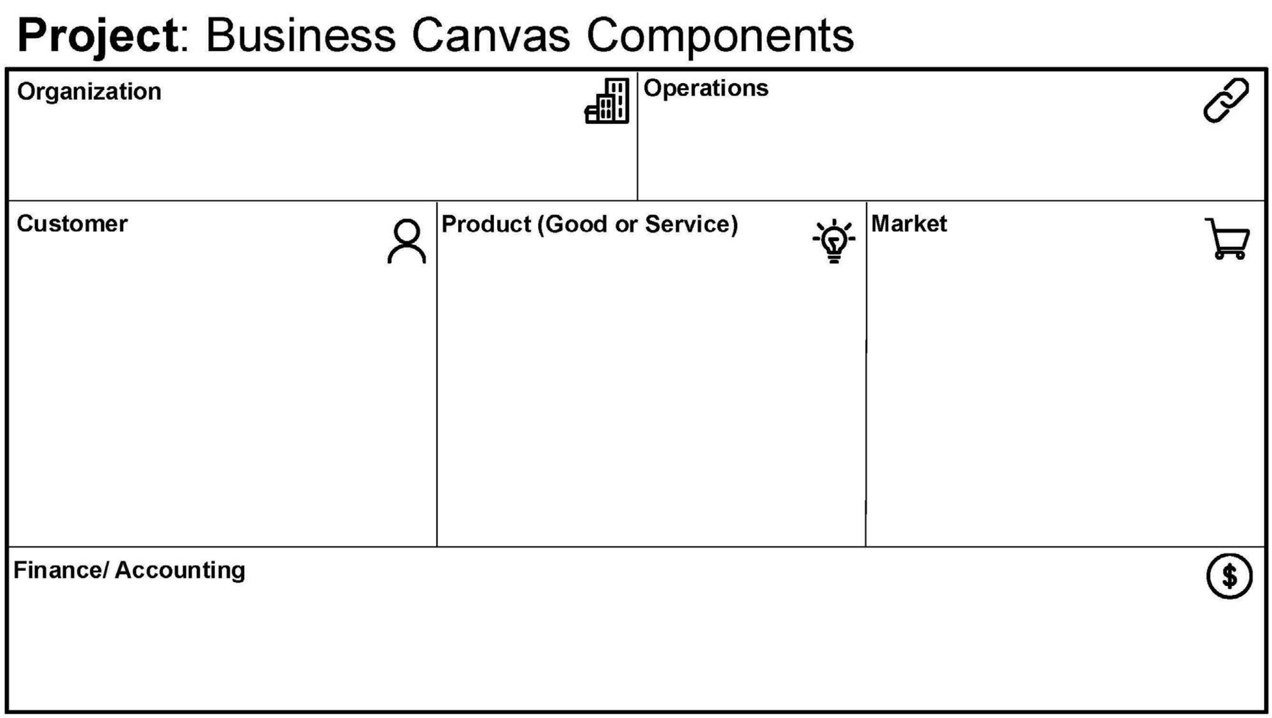
Business Canvas Project Deliverables

	Unit 1 by end of Week 8	Unit 2 by end of Week 15	Unit 3 by end of Week 22	Unit 4 by end of Week 28
	Suggested completion milestones indicated above are based on 45-minute classes meeting 5 days a week.			
Customer	Identification and validation of a customer problem, need, or want*	Target customer profile* Plan to build customer relationships, including sales tactic(s) Research findings on customer preferences* Marketing campaign, including digital marketing tool(s)*		Key performance indicators (KPIs) for customer-related goal(s)
Product	Product idea that achieves problem-solution fit*	Minimum viable product (MVP) used to assess product-market fit* Value proposition Branding/brand identity*		
Organization	Vision statement Mission statement			Skills assessment Strategic decision using PACED model
Operations	Supply chain plan, including process(es) for producing the good or service	Marketing channel(s)		KPI(s) for operations-related goal(s)
Market	Plan to seek competitive advantage PESTEL analysis	Research findings on competitive landscape		KPI(s) for market-related goal(s) Framework analysis of market using Porter's Five Forces and/or SWOT analysis
Finance/ Accounting		Price and pricing strategy*	Startup costs Potential source(s) of financial capital Revenue projection	KPI(s) for finance-related goal(s)
Appendix		Data visualization	Pitch Income statement	**Final Business Canvas and Appendix**

*Indicates a canvas element requiring hypothesis testing

BUSINESS CANVAS

The final business canvas may contain up to 1,000 words of text, describing the student's idea. Because project goals emphasize hypothesis testing and the use of evidence to iterate and improve on a product idea, students are expected to use their canvas to track and record evidence of hypothesis testing and document how it informed decision making. At the conclusion of Unit 4, each student—whether working alone or with a team—will complete their own Business Canvas Project with descriptions and specific details that convey their current, best thinking about each required canvas component. The business canvas information may be communicated using bullet points, notes, complete sentences, or a structure of students' choosing. A blank business canvas template is shown below.



Appendix elements: Data visualization, Pitch, Actual or projected income statement

APPENDIX

The appendix contains three elements developed using evidence acquired through market and customer research findings: a data visualization, a pitch, and an actual or projected income statement.

Pitch

The pitch is designed to convey the merits of a student's business idea. Because the pitch is intended to be delivered in 60 seconds, the pitch should be a maximum length of 200 words. The pitch should include:

- A brief description of the student's product
- The student's target customer profile
- The problem, need, or want the student's product is intended to address
- How or why the student's product creates value for customers

NOTE: Oral pitches are strongly encouraged in the classroom; however, the AP Program does not require recorded oral pitches.

Income Statement

The income statement is an actual or projected financial statement describing the business's year-one performance. The income statement should include, at a minimum, the following elements:

- (Projected) Revenue based on product price and sales projections
- (Projected) Cost of goods sold (COGS) or cost of sales (COS)
- (Projected) Gross profit
- (Projected) Operating expenses
- (Projected) Pretax income

Data Visualization

The data visualization is a bar chart, stacked bar chart, line graph, or pie chart that reflects a finding from the student's market- or customer-related research. The data visualization should be clearly and accurately labeled, and it should represent actual research findings from the Business Canvas Project.

Business Canvas Project Assessment

Collect students' Business Canvas Projects for teacher scoring and incorporation into their course grade. Students will not submit their Business Canvas Project to the AP Program for scoring. A rubric to guide teacher scoring of the Business Canvas Project is provided on p. 182.

Students' work on the Business Canvas Project will be assessed by the AP Program through the Business Canvas Project Exam-Day Validation FRQ on the AP Exam. A student's ability to earn points on the FRQ will **not** depend on the profitability or market potential of their business or product idea but on their demonstration of the course skills and content objectives assessed by each prompt. A sample Business Canvas Project Exam-Day Validation FRQ can be found on p. 249, and the accompanying scoring guidelines begin on p. 259. For more information about the AP Business with Personal Finance Exam, see the Exam Overview section, which begins on p. 237.

Process Overview

Guide students through the ideation and business development process using your preferred entrepreneurial or design thinking process or following the suggested project tasks available in the optional project based learning (PBL) guides created by the AP Program.*

During the project launch, ensure students understand the iterative nature of the entrepreneurial process as well as the purpose and final deliverables of the Business Canvas Project. It is critical to emphasize the importance of developing hypotheses, testing hypotheses, and learning from feedback at every stage of the project. Most students will run into a roadblock at some point; for example, a product idea that customers don't like, a business name that is already trademarked, or difficulty establishing a feasible production process. Some students may need to adapt and adjust key components of their business idea in response to feedback. This is a natural part of launching any business and should be encouraged, not viewed negatively.

Students will practice the systematic approach to decision making described in Skill Category 3, which requires describing an opportunity or problem, explaining how potential courses of action could address the opportunity or problem, establishing criteria to evaluate different courses of action, and recommending the best course to take. In one or more components of the Business Canvas Project, students illustrate how they used these skills to reach a decision.

Project Timing

This project is designed as a through-course project for AP Business with Personal Finance. In this project guide, most tasks are designed to take 1–2 class periods, but you may wish to provide students with more time on certain tasks. The Unit at a Glance tables in each Unit Guide include a suggested number of days for the Business Canvas Project. Suggestions are provided for driving questions, objectives, activities, optional extension activities, and deliverables within each task to better allow you to weave this project into your course and content sequence. The suggested completion date for each unit is based on integration into a yearlong course of study.

*In AP Business with Personal Finance, project based learning (PBL) engages students in sustained work as entrepreneurs and financial advisors, using AP content and skills to tackle challenging, real-world business and financial problems. Students engage in inquiry-oriented tasks, make authentic choices, develop public products, and continuously refine their work through daily instructional activities. Educators who attend an AP Business with Personal Finance PBL AP Summer Institute will have access to the Units 1 – 5 PBL implementation guides. The required project deliverables described in the PBL guides are identical to the deliverables listed in this guide, ensuring a coherent and rigorous course experience.

Unit 1

Suggested completion milestone: ~Week 8 of the course

Unit 1 Deliverables:

- **Customer** – Identification and validation of a customer problem, need, or want* (Topic 1.1, 1.4)
- **Product** – Product idea that achieves problem-solution fit* (Topic 1.4)
- **Organization** – Vision statement (Topic 1.5)
- **Organization** – Mission statement (Topic 1.5)
- **Operations** – Supply chain plan, including process(es) for producing the good or service (Topic 1.8)
- **Market** – Plan to seek competitive advantage (Topic 1.2)
- **Market** – PESTEL analysis (Topic 1.3)

*Indicates a canvas element requiring hypothesis testing

Suggested Tasks

UNIT 1 · TASK 1

Identify and describe a customer's problem, need, or want.

Driving Question

Where do business ideas come from?

Student Objectives

In the first task, students assume the role of an entrepreneur. They look closely at everyday experiences—their own, their family's, or their community's—to spot problems, needs, or wants that could spark new business ideas. The emphasis is on understanding that successful ventures start by solving real problems. Through this process, students learn to:

- Identify a market opportunity (e.g., a customer problem, need, or want) and develop a product idea to address it (Skill 2.A)
- Identify a genuine customer problem and see how businesses respond to customer needs (LO 1.1.A)

Activities

Begin Task 1 with a class conversation. Ask students, "Where do business ideas come from?" Share a few examples from local businesses that fill a gap in your community. From there, guide students through brainstorming ideas.

Students can take one of several routes: reflecting on their own lives or their family's lives, talking to classmates or neighbors, or researching services that are available in other communities but not in theirs. Consider using structured ideation methods (like mind mapping or design thinking) to help students organize their ideas. The goal for this activity is for each student to come away with at least one customer problem, need, or want that they have identified and can explain clearly.

Assessments / Checks for Understanding

As students share or submit their ideas, you'll want to check whether they are framing them as customer problems or needs, rather than just personal likes or dislikes or product ideas. Use an exit slip with a one-sentence response or a short verbal share-out: "What's one problem you think a business could solve?" Their descriptions will indicate whether they're on the right track before moving forward.

Optional Extension Activity

Ask students to take the idea they generated in class and refine it. This could be a one- or two-paragraph description that explains the problem, need, or want in more detail. Encourage them to test the idea by talking with someone outside of class, like a family member or friend, to see if that person also notices the same need. Students will bring this polished version back to class to build upon it in the next task.

Deliverables

At the end of this task, the deliverables are the identification of a potential customer and a description of that customer's problem, need, or want.

UNIT 1 · TASK 2

Develop a plan to seek competitive advantage in a potential market and apply the PESTEL framework to evaluate the attractiveness and potential risks of a market.

Driving Question

How can we analyze a market to understand competition, opportunities, and risks?

Student Objectives

Students broaden their lens to the market context in this task. They identify direct and indirect competitors currently serving their potential customer, then use the PESTEL framework to analyze external forces—political, economic, social, technological, environmental, and legal—that create opportunities and risks for their idea. With that landscape in view, they propose an initial competitive strategy (e.g., a differentiating feature, superior service, or a pricing approach) that fits what the analysis reveals. This task helps students to:

- Interpret relevant data (Skill 1.B)
- Follow through on agreed-upon deliverables, if working in teams (Skill 5.D)
- Develop a plan to achieve competitive advantage in a market. (LO 1.2.B)
- Apply the PESTEL framework to evaluate the attractiveness and potential risks of a market. (LO 1.3.C, Skill 3.A)

Activities

Have students work individually or in small groups to identify competitors who are currently meeting their potential customers' needs. For example, if they identify a problem such as the high cost of smartphone repairs, they would identify all competitors who currently provide these repair services.

Introduce students to the PESTEL framework as a structured way to analyze a market. Use an example they'll recognize (such as the streaming-service or fast-food markets) to show how each factor can influence success or risk. Guide students through applying the PESTEL framework to their chosen market. For students working alone, encourage collaboration with peers who are analyzing similar markets.

Finally, ask students to brainstorm an initial competitive advantage strategy: How will they better address a customer's problem, need, or want? This could be a unique feature, better customer service, or a pricing approach.

Assessments / Checks for Understanding

Collect or review students' PESTEL analyses. During class, check that students are naming both opportunities and risks in each category, not just one side or the other. Ask reflective questions, such as "Which PESTEL factor do you think poses the biggest challenge for your idea?"

Optional Extension Activity

Have students conduct a PESTEL analysis of the market for a familiar product. Students should highlight the three most important risks and opportunities for the product.

Deliverables

By the end of this task, the deliverables are a preliminary PESTEL analysis of a potential market and an initial plan to seek competitive advantage.

UNIT 1 · TASK 3

Conduct customer interviews to validate the problem, need, or want.

Driving Question

How can we confirm that the problem we identified is something that is experienced by multiple potential customers?

Student Objectives

In this task, students shift from spotting a potential problem to testing its validity through customer interviews. The focus is on learning how to talk with and listen to potential customers in a way that gathers honest, unbiased, and useful feedback. Through this process, students:

- Formulate and test business hypotheses to iterate and improve on a product idea (Skill 2.A)
- Create authentic business communications (Skill 4.B)
- Build toward identifying a customer problem, need, or want as they adjust original assumptions based on potential customer feedback (LO 1.1.A)
- Develop strategies for generating new product ideas (LO 1.4.A)

Activities

Start class with a short discussion about the importance of interviews in entrepreneurship, emphasizing how they can help students highlight authentic voices, practice active listening, and gather diverse perspectives. Connect to real-world skills by showing or sharing how interviewing is used in journalism, research, business, and everyday problem-solving. Then guide students through the basics of effective interviewing. Emphasize to students that they should:

- Write open-ended, neutral questions (avoid yes/no or leading questions)
- Practice active listening, showing interest without steering the answers
- Record feedback carefully, either through detailed notes or—with permission—by audio or video recording

Allow students time to draft and peer review a short list of interview questions. Then, with a volunteer student, model what an interview should look like to set expectations. Students can see what active listening looks like in practice.

To help prepare students before they approach interviewees:

- Define "respectful approach." Students should understand the appropriate tone of voice and body language to use when approaching interviewees.
- Practice introductions. Students can role-play saying who they are, what the project is, and why they'd like the interviewee's input.
- Model the development of question lists. Students should keep questions open ended, avoid leading questions, and prepare follow-up prompts.
- Emphasize consent. Students should always ask, "Would you be willing to answer a few questions?"

When students are ready to make contact with interviewees, let them know that they can either draft a polite email request or approach potential interviewees in person using a short elevator pitch of the project. Stress to students the need to respect adults' time by asking for short, specific time slots (10–15 minutes) when scheduling their interviews.

Additionally, be sure students understand the expected professional etiquette: They should thank their interviewee for meeting with them, take notes during the interview, and send a short thank-you note after the interview.

To further support students in this task:

- Provide sample scripts for introductions, emails, and thank-you notes.
- Set boundaries so that students understand who not to approach. Be sure they understand any safety or privacy concerns.

Assessments / Checks for Understanding

Check student preparedness by reviewing their interview questions before they proceed with conducting their interviews. Look for evidence that students' questions are using an open-ended and unbiased approach. When students are practicing mock interviews in class, listen for strong questioning and listening skills. Consider using an exit slip that asks, "What's one strategy you'll use to make sure your customer interview is unbiased?"

Students conduct at least one real customer interview outside of class. Encourage them to go beyond their immediate friend group to obtain more candid, authentic feedback.

When debriefing with students after their interviews, encourage them to reflect on:

- What went well in the interaction?
- What felt awkward or difficult?
- What did you learn about asking good questions and active listening?

Deliverable

By the end of this task, the deliverable is a validated customer problem, need, or want. Ensure that students document how hypothesis testing shaped a decision about which customer problem, need, or want to address.

UNIT 1 · TASK 4

Develop a solution to address a potential customer's problem, need, or want.

Driving Question

How can we develop a product that effectively addresses a customer's problem, need, or want?

Student Objectives

In this task, students move beyond validating that a problem exists and begin designing a solution. Students decide whether the best fit is a good, service, or app, and weigh what skills and resources they already have against what they would need to acquire. This task helps students:

- Identify market opportunities and develop concrete product ideas as they plan for production, supply chains, and costs (Skill 2.A)
- Identify ways businesses respond to customer needs (LO 1.1.A)
- Develop strategies for generating new product ideas (LO 1.4.A)
- Apply a design-thinking process to generate and validate a solution (LO 1.4.C)

Activities

Begin with a short framing conversation: Remind students that entrepreneurs don't just spot problems—they design solutions that people will use. Share a couple of examples of products or services that started small (like a neighborhood service or handmade product) and grew into sustainable businesses.

Then guide students through structured brainstorming by asking them to:

- List possible solutions for the problem they validated in Task 3.
- Consider feasibility: What skills do they already have? What resources could they realistically access?
- Think broadly. Their solution may be a good, a service, an app, etc. (Remind them that while thinking broadly is good for brainstorming, their solution should stay within school safety, health, and legal guidelines.)
- Sketch or outline their solution idea and begin thinking through its basic production process, supply chain, and cost considerations—even at a rough estimate level.

Assessments / Checks for Understanding

Ask students to create a simple one-page product concept summary. This should include:

- A short description of the good or service
- The problem-solution fit—what problem, need, or want it addresses
- A few notes on what resources would be needed to make it work (e.g., materials, time, skills)

This concept summary will become the basis for developing a supply chain plan in Topic 1.8 and for developing a minimum viable product (MVP) in Unit 2.

As students share their solution ideas in the one-page optional extension activity summary, check that they are connecting the solution directly to the problem they validated in Task 2. Look for signs of realistic thinking: Do they understand what it would take to produce this solution? Can they explain why this solution matches the problem?

Optional Extension Activity

Have students draft a written reflection (e.g., "What makes your solution both realistic and responsive to your customer's problem?") to help capture their thinking and as another opportunity to check their understanding at this early stage.

Deliverable

By the end of this task, the deliverable is the product idea to address customer problem, need, or want.

UNIT 1 · TASK 5

Formulate and test a business hypothesis related to problem-solution fit.

Driving Question

How do we test whether our proposed solution addresses a customer problem?

Student Objectives

In this task, students treat their solution idea as an assumption to be tested, not a conclusion. They frame a clear, testable prediction about problem-solution fit—stated as what they expect customers will do if the solution is offered—and prepare a simple plan to check that prediction. The emphasis is on precision and measurability: What behavior would count as evidence that the solution addresses the validated problem? In doing this, students:

- Formulate and test business hypotheses (Skill 2.B)
- Apply a design-thinking process to validate and, if needed, adjust their product idea (LO 1.4.C)

Activities

Start with a simple explanation: In entrepreneurship, we don't assume our solution works—we test it. Share a sample assumption or hypothesis; for example, "If students want healthier after-school snacks, then they will purchase hummus and pretzel cups or fresh fruit if those are offered." Ask students how this hypothesis could be tested, and be sure they understand that gathering opinions does not qualify—they actually need to offer the snacks and count how many students buy them.

Guide students in writing their own hypotheses about their product ideas. Emphasize that hypotheses should be simple, specific, and testable. Then allow time for peer review, where students check one another's statements for clarity and testability.

Assessments / Checks for Understanding

Review student hypotheses to ensure they are phrased as assumptions or predictions, not as open-ended questions. Quick check-ins could include asking, "What exactly are you assuming customers will do?"

Have students design and implement a simple plan to test a hypothesis related to problem-solution fit. For example, they might survey peers, run a short pilot, or observe customer behavior. They should be prepared to share the results in the next class.

Deliverable

By the end of this task, the deliverable is an improved product idea to address the customer's problem, need, or want, with a description of problem-solution fit. Ensure that students document how hypothesis testing shaped a product decision.

UNIT 1 · TASK 6

Develop a vision statement and a mission statement.

Driving Question

How do we communicate our business's values and goals through vision and mission statements?

Student Objectives

In this task, students articulate the "why" behind their work. They decide whether to operate alone or form a small team (see FAQs 8 and 9 on p. 180) and then surface the values and strengths they bring to the venture. From there, students translate the brainstormed values and strengths into vision and mission statements that clearly state what their business aims to achieve and how it will serve customers. As they draft and refine these statements, students:

- Create authentic business communications (Skill 4.B)
- Develop shared objectives, clarify roles, work to motivate one another, and establish accountability routines, if working in teams (Skills 5.A–5.D)
- Explain how their vision and mission align with their goals (LO 1.5.B)

Activities

Begin class by explaining the purpose of vision and mission statements. A vision statement looks forward—it's the long-term aspiration—while a mission statement focuses on the present: what the business does, for whom, and why.

Guide students in reflecting on their own values and skills or on team strengths if they choose to collaborate. If teams are allowed, facilitate their creation by encouraging students to choose partners who share an interest in the same customer problem or who bring complementary skills. One suggestion is to have each student share their idea with the class orally or on sticky notes so students can form small affinity groups based on shared goals.

Provide examples of real companies' vision and mission statements and discuss how they reflect values and business goals. Consider referring to the AP-provided Bombas business case and discuss their "Buy One, Donate One" vision. Then have students draft their own statements, either individually or as a team.

Assessments / Checks for Understanding

As students draft statements, circulate and ask probing questions, such as "Does this statement reflect your company's values?" or "Would someone outside your business understand what you're trying to achieve?" Collect first drafts or have pairs exchange feedback for clarity and alignment.

Optional Extension Activity

Ask students to refine their statements into polished versions that incorporate the feedback they've received.

Deliverables

By the end of this task, the deliverables are the vision statement and mission statement for students' business ideas.

UNIT 1 · TASK 7

Develop a production process and a supply chain plan.

Driving Question

What production process and supply chain would allow us to create and deliver our product?

Student Objectives

In this task, students focus on the feasibility of their good or service by mapping how it could realistically be made and delivered. Students select an appropriate production process (artisan, service based, or manufactured) and draft a supply chain plan from inputs to final delivery. They identify potential sources of necessary resources, name critical steps, and surface barriers, showing their understanding of the requirements to bring their product to market. This process of researching and developing a realistic manufacturing or service-delivery process is challenging for students, so encourage them to focus on smaller scales. This work develops students' ability to:

- Evaluate desirability, viability, and feasibility of a product (Skill 2.C)
- Define clear roles and responsibilities, if working in teams (Skill 5.B)
- Follow through on concrete deliverables (Skill 5.D)
- Describe factors in production (LO 1.8.A)
- Develop and describe a preliminary supply chain plan (LO 1.8.B)

Activities

Begin class by introducing different types of production processes, such as those used to create artisanal goods, personalized services, and manufactured products and explain why businesses may choose each process. Have students consider their supply chain needs in terms of what they've learned about the competitive environment and their preliminary plan to seek competitive advantage, as well as PESTEL factors that could affect supply chain risk.

Have students outline a production process for their product. Encourage them to think through the following questions: What materials are needed? Who supplies them? How would the product get from creation to the customer? Provide a simple template or flowchart or show students how to access and use templates in Google Docs, Google Sheets, or similar tools to help them map their supply chain plan.

Assessments / Checks for Understanding

Review students' initial production and supply chain plans and check for feasibility. Ask reflective questions: "If you needed 100 units, could this process handle it?" "What's one weak spot in your supply chain?"

Optional Extension Activity

Ask students to revise their supply chain plan with more specific details, including possible suppliers and costs even if it's only through online searches, so they can begin grounding their plan in reality.

Deliverable

By the end of this task, the deliverable is a supply chain plan, including process(es) for producing the good or service.

UNIT 1 · TASK 8

At the end of Unit 1, commit to a business idea to pursue and revise the market analysis.

Driving Question

How can we use our understanding of the market to develop a competitive advantage strategy for our product idea?

Student Objectives

As students review their Unit 1 progress on the business canvas project—solidifying their decision about what customer problem, need, or want to address and what kind of product they will offer—they revisit their PESTEL analysis of the market and competitive advantage strategy (from Task 2). Students identify direct and indirect competitors in their market, then use the PESTEL framework to analyze external forces that create opportunities and risks. With that landscape in view, they propose a revised competitive strategy. This task helps students to:

- Interpret relevant data (Skill 1.B)
- Explain the feasibility and viability of a product idea (Skill 2.C)
- Apply the PESTEL framework to evaluate a market and describe findings (Skill 3.A)
- Follow through on agreed-upon deliverables, if working in teams (Skill 5.D)

Activities

Explain to students that Unit 1 provided an opportunity to explore ideas about customer problems and potential solutions. Some students may have discovered already that their initial idea is not desirable or feasible—and they may wish to shift to an entirely new problem and/or solution. Before moving onto Unit 2, students should commit to a business idea that they will pursue for the rest of the through-course project.

Once students have determined what business idea they will pursue, they will revisit their initial market analysis. Have students review the PESTEL framework and work individually or in small groups to describe the market for their product and apply PESTEL analysis. Then ask students to develop a revised competitive advantage strategy, based on their knowledge of their product idea and the competitive landscape: What will set their product apart?

Assessments / Checks for Understanding

Collect or review students' revised PESTEL analysis documents. Ask reflective questions, such as "What insights or challenges prompted you to adjust your competitive advantage strategy?"

Optional Extension Activity

Have students expand their PESTEL analysis into a one-page summary, highlighting the three most important risks and opportunities for their product.

Deliverables

By the end of this task, the deliverables are a revised product idea (if applicable), revised PESTEL analysis of a potential market, and a plan to seek competitive advantage in that market.

Unit 2

Suggested completion milestone: ~Week 15 of the course

Unit 2 Deliverables:

- **Customer** – Target customer profile* (Topic 2.1)
- **Customer** – Plan to build customer relationships, including sales tactic(s) (Topics 2.1, 2.2)
- **Customer** – Research findings on customer preferences* (Topic 2.3)
- **Customer** – Marketing campaign, including digital marketing tool(s)* (Topic 2.7)
- **Product** – Minimum viable product (MVP) used to assess product-market fit* (Topic 2.4)
- **Product** – Value proposition (Topic 2.4)
- **Product** – Branding/brand identity* (Topic 2.4)
- **Operations** – Marketing channel(s) (Topic 2.6)
- **Market** – Research findings on competitive landscape (Topic 2.3)
- **Finance/Accounting** – Price and pricing strategy* (Topic 2.5)
- **Appendix** – Data visualization (Topic 2.3)

*Indicates a canvas element requiring hypothesis testing

Suggested Tasks

UNIT 2 · TASK 1

Identify target customers and develop a customer profile.

Driving Question

Who do we think is most likely to buy the product, and how can we test our assumptions about them?

Student Objectives

In the first task of Unit 2, students shift from focusing on the product itself to focusing on the potential customer. They describe the characteristics of a target market segment, using either established segmentation models (like Nielsen categories) or by creating their own description that includes demographic factors (e.g., age, income, education) and psychographic factors (e.g., values, interests, lifestyle). Students then turn their description into a customer profile—a personified representation of their likely buyer—and develop and test a hypothesis about who this customer is and why they might purchase the product.

The goal is for students to see that not every product is for everyone; entrepreneurs must identify and focus on the customers who are most likely to engage with their products. Along the way, students practice designing thoughtful, unbiased interview questions and learn to test their profile by talking with potential customers who fit the profile. They also build comfort with the idea that negative or lukewarm feedback is valuable—it may show that the profile needs to be refined or even changed.

This task strengthens student ability to:

- Interpret and present data (Skills 1.B and 4.A)
- Evaluate business opportunities through decision-making criteria (Skills 3.B and 3.C)
- Use market segmentation to identify a target customer and develop a detailed customer profile (LO 2.1.B)

Activities

Begin with a short conversation about market segmentation. Share an example of how businesses aim products at different groups (e.g., difference in clothing for teens versus professionals who work in an office). Then guide students in identifying the most likely segment for their product idea.

Have students create a written or visual target customer profile that brings this segment to life. Encourage them to include both demographic and psychographic details, so the profile feels like a real person. Have students explain their assumptions about why you think this person would be a likely customer for your product. Next, have them draft interview questions aimed at testing whether their assumptions about this target customer profile are accurate; for example, “Do you experience [problem/need/want]?” “What goods or services do you currently use to address this problem/need/want?”

Allow time for peer feedback on interview questions, emphasizing the skills learned from Unit 1 on the importance of open-ended, unbiased wording.

Assessments / Checks for Understanding

Review students’ customer profiles and interview questions for clarity and alignment with the product idea. Ask probing questions, such as “Is this profile descriptive enough to be understood by someone outside your team?” or “Are your questions written in a way that avoid leading the customer toward a particular answer?”

Ask students to conduct at least one interview with someone who matches their target customer profile to test their hypothesis. Remind them to take careful notes or seek permission to record the interview. Students should be prepared to revise their customer profile if the interview suggests that their assumptions don’t hold up.

Deliverable

By the end of this task, the deliverable is a target customer profile. Ensure that students document how hypothesis testing shaped a decision about their target customer.

UNIT 2 · TASK 2

Develop a plan to build customer relationships and develop a sales tactic drawing on principles of persuasion.

Driving Question

How can we design strategies that not only attract customers but also build lasting relationships with them?

Student Objectives

In this task, students explore how businesses move beyond identifying customers to winning their business and earning their loyalty. They develop hypotheses about which sales tactics, based on the principles of persuasion, might attract their target customers and which tactics (such as strong customer service and rewards programs) can incentivize long-term customer relationships. Students will see that attracting buyers is critical but it is just the beginning;

retaining them requires trust, consistent value, and ongoing engagement. Students test their assumptions using interviews, focus groups, or A/B testing and refine their tactics based on feedback. Through this process, students:

- Interpret data (Skill 1.B)
- Test business hypotheses (Skill 2.B)
- Build customer relationships (LO 2.1.C)
- Explain consumer decision making (LO 2.2.A)
- Evaluate and apply sales tactics (LO 2.2.C)

Activities

Have students brainstorm possible tactics to persuade customers to buy their product, drawing on Cialdini's principles of persuasion. Then introduce the concept of customer relationships, explaining why repeat customers matter more than one-time buyers. Share an example of a business that uses loyalty programs, personalized service, or strong branding to retain customers. Have students brainstorm tactics they can use to retain their customers and increase customer lifetime value.

Guide students to frame their customer-acquisition and customer-retention tactics as hypotheses: "If we offer X, then customers will respond by Y." Students can then design interviews, focus groups, or A/B tests to check whether their assumptions hold.

Assessments / Checks for Understanding

Review student hypotheses and tactics for clarity, feasibility, and connection to their target customer profile. During class, circulate to observe whether students are designing unbiased questions and thinking critically about customer feedback.

Optional Extension Activity

Ask students to test one of their customer relationship hypotheses outside class. They should document customer responses and reflect on what worked and what needs iteration.

Deliverable

By the end of this task, the deliverable is the plan to build customer relationships, including the sales tactic(s) that initially attract them.

UNIT 2 · TASK 3

Conduct primary-source market research to test a hypothesis related to customers' preferences.

Driving Question

How can we learn what product features our target customers want?

Student Objectives

In this task, students take the next step in understanding their market: exploring what their target customers want. They begin by forming a hypothesis about which features, such as attributes, functionality, or user experience, would make their product useful and appealing to their target customers. Students then design and conduct primary-source research through interviews with potential customers, aiming to test and refine their assumptions about preferences. The emphasis is on using authentic communication to elicit candid, useful feedback.

Along the way, students:

- Test business hypotheses (Skill 2.B)
- Create professional interview protocols (Skill 4.B)
- Develop clear objectives related to a research task, if working in teams (Skill 5.A)
- Explain why and how marketers collect data (LO 2.1.A)
- Explain the role of market research in business decision making (LO 2.3.A)
- Conduct and interpret their own primary-source research (LO 2.3.C)

Activities

Begin class with a brief example of how businesses test product features with customers, such as how fast-food chains pilot new menu items or tech companies beta-test apps.

Guide students in developing a hypothesis about customer preferences for their product; for example, "If customers value convenience, then offering a mobile app interface will increase their interest in the product."

Next, ask students to design interview questions that directly test this hypothesis; ensure the questions are open ended and unbiased. Provide practice time for mock interviews in pairs before sending students into real interviews. At least one real customer interview should be conducted outside of class, with an individual who matches their identified target customer profile. Students should record findings carefully and be prepared to compare their results with their initial hypothesis.

Assessments / Checks for Understanding

Check students' hypotheses for clarity and testability. Review their interview protocols to confirm that questions are unbiased and likely to generate useful insights. During practice interviews, observe whether students listen actively and capture notes accurately.

Optional Extension Activity

Have students interview one person outside their target segment (someone who doesn't fit their target customer profile) and compare insights with their original customer interview.

Deliverable

By the end of this task, the deliverable is the research findings on customer preferences. Ensure that students document how hypothesis testing shaped a decision in response to customer preferences.

UNIT 2 · TASK 4

Conduct secondary-source market research to assess the competitive landscape and develop a data visualization that reflects research findings.

Driving Question

What can we learn from existing data about the competitors and overall market we plan to enter?

Student Objectives

In this task, students shift from interviewing individuals to consulting published data and research to better understand the competitive landscape. They investigate the number of potential customers, identify competitors, analyze strengths and weaknesses, and uncover opportunities or challenges. Students then create a data visualization (e.g., a bar chart, stacked bar chart, line graph, or pie chart) to communicate their findings. Along the way, students strengthen their ability to:

- Interpret business data (Skill 1.B)
- Analyze external factors that affect a business (Skill 3.A)
- Develop clear, shared team objectives, if working in teams (Skill 5.A)
- Explain the purpose of market research (LO 2.3.A)
- Conduct and interpret secondary-source research (LO 2.3.B)
- Develop data visualizations (LO 2.3.D)

Activities

Begin by discussing secondary sources of market research, such as government reports, trade associations, or business publications. Share examples of data visualizations that effectively communicate market research.

Have students search for information about their product's market and competitors. If possible, collaborate with a librarian to teach research strategies. Students then compile their findings.

Review basic types of data visualizations with students, including bar charts, stacked bar charts, line graphs, and pie charts. Have students prepare a data visualization that communicates a key finding from either primary-source or secondary-source research.

Assessments / Checks for Understanding

Check that student sources are credible and properly cited. Review data visualizations for clarity, accuracy, and alignment with research findings.

Optional Extension Activity

Ask students to refine their visualization and complete a short, written summary explaining what the data shows about their market and competitors.

Deliverables

By the end of this task, the deliverables are the market research findings on competitive landscape and a data visualization.

UNIT 2 · TASK 5

Develop a minimum viable product (MVP) to assess product-market fit and branding/brand identity.

Driving Question

How can we create and test a version of our product that demonstrates value to customers and communicates our brand?

Student Objectives

Now students begin to bring their product to life. In this task, they design a minimum viable product (MVP)—a simple version of their product that allows them to test whether customers see value in it. They also craft a value proposition that explains who the product serves, what problem it addresses, and why it is better than alternatives. Finally, students connect their MVP and value proposition to their earlier mission and vision statements by developing branding elements, such as a logo, slogan, or design style. Through this task, students:

- Test hypotheses (Skill 2.B)

- Create authentic business communications (Skill 4.B)
- Follow through on agreed-upon deliverables, if working in teams (Skill 5.D)
- Develop an MVP and value proposition (LO 2.4.A)
- Develop and evaluate branding (LO 2.4.B)

Activities

Introduce the concept of an MVP using familiar examples (e.g., an early prototype of a popular app). Have students create a basic version of their product; they can draw their MVP, craft or build it with available materials, create a virtual representation of it, or make a video that describes its functionality.

Guide them to draft a clear value proposition that briefly describes their product and answers four questions:

1. Who are they (company or student's name)?
2. Who is the product for?
3. What problem does it solve?
4. Why is it better than other competitive options?

Finally, lead students in creating simple branding elements to support their MVP and value proposition.

Assessments / Checks for Understanding

Review MVP sketches and value propositions for clarity and alignment with customer needs. Evaluate whether branding elements reflect the mission, vision, and value proposition.

Have students test their MVP and brand identity with target customers through interviews, focus groups, or A/B testing. They should document findings and plan revisions.

Deliverables

By the end of this task, the deliverables are the minimum viable product (MVP), an assessment of product-market fit, and a brand identity. Ensure that students document how they used hypothesis testing to assess product-market fit using their MVP, and document how hypothesis testing influenced a branding decision.

UNIT 2 · TASK 6:

Develop a pricing strategy.

Driving Question

What price will both attract customers and support our business goals?

Student Objectives

In this task, students learn that pricing is not just about covering costs; it's also about positioning a product in the market. Students experiment with different pricing strategies—competitive, penetration, cost-based, or value-based—and test them with customers. They see that price influences both profitability and customer perception. Through this task, students:

- Test hypotheses (Skill 2.B)
- Use decision-making criteria to evaluate different options (Skills 3.B and 3.C)
- Develop and evaluate pricing strategy (LO 2.5.A)
- Evaluate how market conditions affect pricing power (LO 2.5.B)

Activities

Introduce typical pricing strategies with simple examples students know (e.g., fast food value menus versus premium coffee menus). Ask students to describe how they could use each pricing strategy for their product and how it would impact their product's price, their product's appeal to customers, and their product's position in the market. Then ask them to select one pricing strategy for further research, and guide them to develop a hypothesis, such as "If our product is priced at X, customers will respond by Y."

Have students design surveys or interview questions to test customer responses to different price points.

Assessments / Checks for Understanding

Review student hypotheses and pricing strategies. During class, listen for evidence that students understand both customer willingness to pay and the need for profitability.

Optional Extension Activity

Ask students to test their proposed prices with real or simulated customers, using surveys, mock sales, or pre-orders, and report back on their findings.

Deliverable

By the end of this task, the deliverable is the pricing strategy and initial product price. Ensure that students document how hypothesis testing shaped a pricing decision.

UNIT 2 · TASK 7

Select a potential marketing channel or channels.

Driving Question

What is the best way to deliver our product to customers?

Student Objectives

In this task, students turn to distribution, exploring how their product will reach the customer. They research and evaluate different marketing channels (e.g., direct sales, online platforms, retail stores) and select the one that best fits their product, customers, and resources. This work develops students' ability to:

- Explain options, establish criteria, and recommend a final course of action (Skills 3.B–3.D)
- Describe the types of marketing channels available to their businesses (LO 2.6.A)
- Select and evaluate potential marketing channels for their product (LO 2.6.B)

Activities

Introduce students to different types of marketing channels with examples they know (e.g., a local farmers' market stall, an Etsy shop, Instagram, or a retail partnership). Consider referring to the AP-provided Hestia Construction business case and the founder's considerations on the pros and cons of digital marketing.

Have students brainstorm possible channels for their product, then research feasibility and evaluate which aligns best with their resources and target customers and plan to achieve competitive advantage.

Assessments / Checks for Understanding
Check that students can explain why they selected one channel over others, citing evidence such as customer habits, costs, access, or reach.

Optional Extension Activity
Have students prepare a written rationale that incorporates evidence collected through market research to explain why their chosen channel(s) were selected.

Deliverable
By the end of this task, the deliverable is the selected marketing channel.

UNIT 2 · TASK 8
Develop a marketing campaign, including digital marketing tools.

Driving Question
How can we create promotional materials that communicate our product's value and reach our target customers?

Student Objectives
In this task, students pull together their research and branding work into a marketing campaign. They create authentic promotional materials, such as brochures, press releases, sales pitches, or social media pages, that showcase their product's value proposition and branding. They then form a hypothesis about the effectiveness of these materials and test it with their target customers, using the results to iterate and improve. This work strengthens students' ability to:

- Create authentic business communications (Skill 4.B)
- Follow through on agreed-upon deliverables, if working in teams (Skill 5.D)
- Develop or evaluate a marketing campaign (LO 2.7.A)
- Explain how digital tools have changed marketing (LO 2.7.B)

Activities
Provide examples of promotional materials—both digital and print—that clearly communicate a product's value proposition. Have students design their own materials, incorporating their logo, branding, and messaging.

Students will need to test at least one hypothesis specific to a digital marketing tool. Guide them to write a hypothesis such as "If we present our product using this campaign, 1 in 10 of our customers will place an order." Then allow them to test their hypotheses with peers or actual customers.

Assessments / Checks for Understanding
Review student promotional materials for clarity, design consistency, and alignment with the value proposition. During testing, ask whether customers can easily articulate what the product is, who it is for, and why it matters to them.

Ask students to revise their promotional materials based on customer feedback and prepare them for inclusion in a larger pitch or portfolio.

Deliverable
By the end of this task, the deliverable is the marketing campaign, including digital marketing tool(s). Ensure that students document how hypothesis testing shaped a decision related to a digital marketing tool.

Unit 3

Suggested completion milestone: ~Week 22 of the course

Unit 3 Deliverables:

- **Finance/Accounting** – Startup costs (Topic 3.4)
- **Finance/Accounting** – Potential source(s) of financial capital (Topic 3.5)
- **Finance/Accounting** – Revenue projection (Topic 3.6)
- **Appendix** – Pitch (Topic 3.5)
- **Appendix** – Actual or projected income statement (Topic 3.6)

Suggested Tasks

UNIT 3 · TASK 1

Determine startup costs and initial expenses associated with launching a new business/product.

Driving Question

What expenses must be considered when launching a new business, and how do these costs affect the feasibility of the business idea?

Student Objectives

In this task, students learn that businesses incur both one-time and recurring costs before generating revenue. They categorize startup costs as one-time expenditures or recurring expenses that may be fixed or variable, direct or indirect. By working through real examples, students:

- Interpret financial data (Skill 1.B)
- Assess the feasibility of their product (Skill 2.C)
- Present clear financial statements (Skill 4.A)
- Determine startup costs (LO 3.4.A)
- Describe operating expenses (LO 3.4.B)

Activities

Have students brainstorm and list the costs associated with launching their business idea, broken down according to whether they are one-time or recurring, fixed or variable, and direct or indirect. Encourage students to include costs they might not immediately think of, such as insurance, storage, and employee wages. Guide the discussion by introducing sample costs, such as rent for a workspace, equipment purchases, and utilities. A guest speaker, such as a local entrepreneur, could share real-world insight into how they managed their initial costs.

Assessments / Checks for Understanding

Review each student's categorized list of startup costs with totals. During class, check whether students correctly distinguish between one-time and recurring costs, fixed and variable costs, and direct and indirect costs.

Optional Extension Activity

Have students refine their list of startup costs by researching realistic price estimates for at least three major expenses and revising their totals accordingly.

Deliverable

By the end of this task, the deliverable is a list of the business startup costs supported by initial expenses.

UNIT 3 · TASK 2

Determine potential source(s) of financial capital.

Driving Question

What sources of funding are available to help new businesses get started?

Student Objectives

Students recognize that many entrepreneurs cannot fund a business alone and must seek external sources of financial capital. In this task, students explore funding options ranging from friends and family to angel investors, bank loans, competitions, incubators, and crowdfunding. (Note: angel investors, competitions, incubators, and crowdfunding are not assessable course content.) Students will:

- Assess desirability, viability, and feasibility of their product idea (Skill 2.C)
- Explain how funding sources address business needs (Skill 3.B)
- Explain why businesses seek external financial capital (LO 3.5.A)
- Determine potential sources of financial capital (LO 3.5.B)

Activities

Have students research funding sources appropriate for their business idea and local community. Consider highlighting specific opportunities, such as local business competitions or incubators, and discuss examples of crowdfunding campaigns. Ask students to make list of funding sources with explanations of why each could be relevant for their venture.

Assessments / Checks for Understanding

When reviewing students' lists of sources, check that they differentiate between personal, institutional, and community-based funding options and between debt and equity funding options or between borrowing and taking on investors.

Optional Extension Activity

Ask students to select two funding sources and write a brief comparison explaining the costs and benefits of each.

Deliverable

By the end of this task, the deliverable is a description of the potential source(s) of funding.

UNIT 3 · TASK 3

Develop a pitch to prospective lenders or investors.

Driving Question

How can entrepreneurs communicate the desirability, feasibility, and viability of their business idea to potential investors?

Student Objectives
Students develop an elevator pitch that combines persuasive communication with justification in this task. They learn that a compelling pitch must grab attention, describe the product and target customer, explain the problem, need, or want the product is intended to address, and explain how or why the product creates value for customers. There is a Sample Business Pitch Handout available at the end of this guide, which can be used for guidance and modeling. This activity develops students' ability to:

- Explain the feasibility of a product idea (Skill 2.C)
- Present data (Skill 4.A)
- Create authentic business communications (Skill 4.B)
- Develop and evaluate a pitch (LO 3.5.D)

Activities
Ask students to draft a ~150-200-word pitch that includes:

- A brief description of your product
- Your target customer profile
- The problem, need, or want your product is intended to address
- How or why your product creates value for customers

Offer time for practice in delivering the pitch aloud and encourage peer feedback. If students are in a team, they either all participate in the pitch with carefully practiced, assigned roles or they each should be prepared to deliver the entire pitch.

Assessments / Checks for Understanding
As students present their pitches to the class or small groups, add to the feedback they are receiving from their peers on the clarity, persuasiveness, and thoroughness of their delivery.

Optional Extension Activity
Have students revise their pitch, tightening their wording and practicing delivery so they can present confidently in one minute.

Deliverable
By the end of this task, the deliverable is a draft of the ~150-200-word pitch.

UNIT 3 · TASK 4
Develop an actual or projected income statement for a business, including a revenue projection.

Driving Question
How can businesses predict their financial performance in the first year of operations?

Student Objectives

In this task, students learn how to forecast sales volume, revenue, and expenses to understand whether their business can be profitable. They practice generating a revenue projection using price and estimated sales volume and then build an income statement that summarizes revenues and expenses. This work sharpens students' ability to:

- Evaluate viability (Skill 2.C)
- Present financial data clearly and accurately (Skill 4.A)
- Determine and describe the components of an income statement (LO 3.6.A)
- Develop an income statement or projected income statement for a business (LO 3.6.D)

Activities

Have students calculate anticipated revenue using their product's price and expected sales volume. Refer to Unit 2 – Task 6, where students tested pricing strategies, and explain how they can use the previous information they calculated and researched to make a reasonable sales prediction, using market size, research on customer demand, and existing sales if any. Then ask them to construct a projected income statement with quarterly breakdowns that include revenue, cost of goods sold (or cost of sales), gross profit, operating expenses, and pretax income. You may wish to show examples from real business startups to show realistic projections. Students should provide support for their projections.

Assessments / Checks for Understanding

Review students drafts of projected income statements. Look for correct use of categories and accurate calculations of profit.

Optional Extension Activity

Ask students to extend their income statement projections to years 2 and 3, clearly stating assumptions about growth, competition, and costs.

Deliverables

By the end of this task, the deliverables are the revenue projection and actual or projected income statement.

Unit 4

Suggested completion milestone: ~Week 28 of the course

Unit 4 Deliverables:

- **Customer** – KPI(s) for customer-related goal(s) (Topic 4.2)
- **Organization** – Skills assessment (Topic 4.1)
- **Organization** – Strategic decision using PACED model (Topic 4.3)
- **Operations** – KPI(s) for operations-related goal(s) (Topic 4.2)
- **Market** – KPI(s) for market-related goal(s) (Topic 4.2)
- **Market** – Framework analysis of market using Porter's Five Forces and/or SWOT analysis (Topic 4.4)
- **Finance/Accounting** – KPI(s) for finance-related goal(s) (Topic 4.2)
- Final business canvas and appendix

Suggested Tasks

UNIT 4 · TASK 1

Identify skills and core competencies.

Driving Question

What skills and core competencies are needed to launch and run a successful business, and how can entrepreneurs acquire them?

Student Objectives

In this task, students explore both the hard and soft skills essential to entrepreneurship. They complete a skills self-assessment and identify which competencies they currently possess, which can be acquired, and which may need to be outsourced for their business idea. By doing so, students:

- Interpret data (Skill 1.B)
- Align personal capabilities with financial and strategic goals (Skill 1.C)
- Define clear roles, if working in teams (Skill 5.B)
- Identify and demonstrate effective leadership and business communication skills (LO 4.1.B)
- Explain why businesses need a variety of employee competencies (LO 4.1.C)

Activities

Guide students to take an online skills assessment and record their results. They should share their findings with their team or with a partner and discuss the strengths and, if they are comfortable, any weaknesses they've discovered. If working in teams, have students discuss how their combined skills could support their team's business and identify any gaps. Remind students how skill development connects to future courses and career pathways. Finally, ask students to write a summary identifying their strongest skills, areas for growth, and skills critical for the success of their business.

Assessments / Checks for Understanding

Review students' summaries and confirm that their description of required skills aligns to their business idea.

Optional Extension Activity

Ask students to research one core competency necessary to the viability of their business idea that they do not currently possess, and write a brief plan for how they could acquire it through training, education, or outsourcing.

Deliverable

By the end of this task, the deliverable is the individual skills assessment.

UNIT 4 · TASK 2

Identify KPIs and benchmarks related to customer-related goals, market-related goals, operations-related goals, and finance-related goals.

Driving Question

How do businesses measure progress toward goals, and why are KPIs and benchmarks important?

Student Objectives

Students learn that measurable indicators allow businesses to track performance and make evidence-based decisions in this task. They identify at least four KPIs linked to components of the business canvas: customer, market, operations, and finance/accounting. They then compare their KPIs against appropriate benchmarks to evaluate whether their targets are realistic. Through this work, students:

- Interpret data (Skill 1.B)
- Present results clearly (Skill 4.A)
- Follow through on deliverables, if part of a team (Skill 5.D)
- Develop and interpret KPIs (LO 4.2.B)
- Explain how benchmarks are used (LO 4.2.C)

Activities

Begin by posing the driving question to introduce the concepts of KPIs and benchmarks. Frame them as the scoreboards businesses use to track whether their strategies are working. Be sure students understand that:

- KPIs are specific, measurable indicators tied to business goals (e.g., number of new customers, average delivery time, profit margin).
- Benchmarks are standards of comparison (e.g., industry averages, competitor performance, or historical data) that show whether a KPI target is realistic.

Model the process for students. Choose a familiar business example (e.g., a coffee shop, gym, or streaming service), and work through the following steps live, using a simple chart or whiteboard and simple examples:

1. Identify goal areas – Identify customer, market, operations, and finance/accounting goals.

2. Generate KPIs – For each goal area, define a measurable indicator:
   - Customer: Number of new customers per month
   - Market: Percentage of total market share
   - Operations: Average wait time per order
   - Finance/Accounting: Per-unit profit margin

Emphasize that KPIs must be objective, measurable categories such as "return on investment" rather than "higher return on investment." The value judgment comes later when comparing to benchmarks. To aid student understanding, relate KPIs to student grades and GPAs. For example, a GPA is a KPI for student academic performance, and the benchmark might be the school's average GPA.

Have students now apply the process to their own businesses. They should:

- Identify four KPIs (one each for customer, market, operations, finance.
- Ensure each KPI is specific, measurable, and actionable. It's important to avoid vague KPIs like "better marketing" or "increase sales." Students should use measurable KPIs like "Instagram followers gained per month" or "product cost per unit."
- Locate or infer benchmarks (class-provided samples, online searches, peer comparisons).
- Record KPIs and benchmarks on a chart.

Reinforce that KPIs are not just numbers, they are tools for decision making. Benchmarks prevent setting goals that are either too easy or impossible.

When they're ready, have students present their KPIs to the class for peer feedback. Prompt students to ask the presenters questions like "How will you measure that?" or "Why is this target realistic?" This pushes students to justify their choices. Follow up by asking, "If this KPI is not met, what decision would you make about your business model.

To wrap up, considering having students reflect briefly on the following questions and then share their responses with the class: "Which of my KPIs will be hardest to meet, and why? What benchmark guided my thinking?"

Assessments / Checks for Understanding

As students present their KPIs and benchmarks to the class, listen for evidence that each KPI is measurable, aligned with business goals, and is realistic and relevant.

Optional Extension Activity

Have students track one KPI for a week (real or simulated data) and write a short reflection on how monitoring performance can inform decision making.

Deliverable

By the end of this task, the deliverables are KPIs for customer-related goals, market-related goals, operations-related goals, and finance-related goals for the business.

UNIT 4 · TASK 3

Make a strategic decision to address a problem or opportunity using the PACED model.

Driving Question

How can businesses use a structured decision-making model to address opportunities and challenges?

Student Objectives

In this task, students apply the PACED model (problem, alternatives, criteria, evaluation, decision) to make a strategic decision for their business. They learn how to identify an issue, gather evidence, and evaluate alternatives systematically. In doing this, students:

- Describe factors that create opportunities or problems (Skill 3.A)
- Explain how actions can capitalize on opportunities or address problems (Skill 3.B)
- Establish decision-making criteria (Skill 3.C)
- Make evidence-based recommendations (Skill 3.D)
- Apply a deliberative process to make a business decision (LO 4.3.B)

Activities

Introduce the PACED model as a structured process for making thoughtful business decisions. Provide students with the PACED Decision-Making Handout from the back of this guide, and display a simple chart that highlights each step.

P – Problem: Define the issue.

A – Alternatives: Identify possible choices.

C – Criteria: Set standards for comparing the choices.

E – Evaluation: Weigh each choice against the criteria using evidence.

D – Decision: Recommend an option and support the recommendation with reasoning and evidence.

Frame PACED as a way of slowing down and making evidence-based choices, rather than rushing to a gut instinct answer. Use accessible language: PACED is a toolbox to help students make tough calls.

Present a business situation involving a problem or opportunity and work through the PACED handout on the board or projector with guiding questions. Maintain student focus on the process—it's not about getting the right answer.

- Problem: What is the issue? (For example: whether to expand to a new neighborhood)
- Alternatives: What are the options? (For example: expand, stay put, try delivery instead)
- Criteria: How will we compare these choices? (For example: return on investment, impact on delivery costs, impact on customer demand)
  - **NOTE:** Clarify that criteria must be neutral measures. Avoid letting students phrase criteria as comparisons ("higher ROI," "lower cost.") The evaluation step is where judgments are made.
- Evaluation: How does each option perform on each criterion? What evidence supports this?
- Decision: Which option looks best overall, and why? What evidence supports this option? What trade-offs can we accept?

When you feel students are ready, ask them to apply the PACED model to their own business ideas. Students choose a real decision point for their business (e.g., "Which marketing channel should we prioritize?") and identify alternatives, set criteria, and evaluate based on research or reasoning.

In the next class period, plan to have students post their PACED Decision-Making Handout on the walls and leave peer feedback for one another with sticky notes.

Assessments / Checks for Understanding

Review students' completed handouts and look for clear problem definition, realistic alternatives, criteria-based evaluation, and evidence-based decision.

Optional Extension Activity

Ask students to write a short 2–3 sentence justification explaining why their team's final decision was the best option, supported by evidence.

Deliverable

By the end of this task, the deliverable is a strategic decision using the PACED model aligned with previously created canvas deliverables.

UNIT 4 · TASK 4

Use strategic frameworks—Porter's Five Forces and SWOT analysis—to evaluate the competitive landscape and the business's internal capabilities.

Driving Question

How can businesses evaluate the competitive landscape and their own strengths and weaknesses?

Student Objectives

In this task, students apply Porter's Five Forces and SWOT analysis frameworks to assess their business's position in the market. By analyzing rivals, substitutes, customers, and suppliers, they gain a realistic view of external pressures. They then evaluate internal strengths and weaknesses alongside opportunities and threats. This helps students to:

- Explain the feasibility and competitive positioning of their business (Skill 2.C)
- Describe internal, market, and external factors that affect a business or individual, and explain how and why they create opportunities and/or problems (Skill 3.A)
- Apply Porter's Five Forces (LO 4.4.B)
- Apply SWOT analysis (LO 4.4.D)

Activities

Introduce Porter's Five Forces and SWOT analysis, pointing students to the Market Competitiveness Handout at the end of this guide (p. 186). Use visuals or a simple chart to highlight each element (e.g., bargaining power of suppliers, threats of substitutes, strengths versus weaknesses), and ensure you're keeping the language accessible; frame these as specific points of view students can use to examine a business.

Model the process for students based on one familiar business (e.g., a national brand, company, or local business your students would be familiar with) and walk the class through Porter's Five Forces with guiding questions for each element:

- Who are the competitors?
- How easy is it for new businesses to enter this market?
- What alternatives could customers choose instead?

Then walk students through the SWOT matrix and explain what constitutes a strength, weakness, opportunity, or threat. Point out key differences between internal and external factors, and explain how a business's strengths and weaknesses influence its ability to respond to opportunities and threats. Complete a SWOT matrix together for the target business, based on what students know about its market and operations.

Have students use the Market Competitiveness Handout, in the Appendix of this guide, to conduct both a Porter's Five Forces analysis and a SWOT analysis of their business idea and its competitive landscape. Restricting their research can aid some students in remaining focused and not falling into a research spiral. Give them 20–25 minutes to evaluate their market using the following:

- Online customer reviews, pricing comparisons, or industry reports
- Social media to see customer sentiment
- Personal experiences and those of their peers or family members

Then have them revisit their business canvases (especially the Value Proposition and Target Customer Profile sections) to draw correlations and record key insights from items in their market analysis to relevant parts of the canvas. For example:

- Opportunity: Unmet demand for eco-friendly packaging → I (we) can add value by using sustainable materials *[Value proposition]*.
- Threat: Many low-cost competitors → I (we) need to target premium buyers who value quality *[Target customer profile]*.

Consider closing the activity with a gallery walk for peer review, where students post their SWOT matrixes and business canvases, and peers leave sticky notes with questions or suggestions to inform revision for their final deliverables.

Assessments / Checks for Understanding

When reviewing students' submitted Porter's Five Forces chart and SWOT matrix along with their updated business canvas, assess whether they show clear reasoning and accurate use of the frameworks.

Optional Extension Activity

Have students revise their SWOT analysis after peer feedback, focusing on how their internal strengths and weaknesses align with external opportunities and threats.

Deliverables

By the end of this task, the deliverables are the framework analysis of a market using Porter's Five Forces and/or SWOT analysis along with an updated business canvas.

UNIT 4 · TASK 5

Prepare the final business canvas and appendix.

Driving Question

How can entrepreneurs consolidate their work into a final business canvas that demonstrates feasibility and learning?

Student Objectives

In this task, students review all project components to ensure their business canvas and appendix represent their best thinking and evidence. They learn that a business's success is not measured solely by profitability but also by the business's ability to assess desirability, viability, and feasibility. This task strengthens their ability to:

- Explain viability (Skill 2.C)
- Present financial and strategic data clearly (Skill 4.A)
- Create professional business communications (Skill 4.B)
- Complete agreed-upon deliverables, if working in teams (Skill 5.D)
- Apply design thinking to validate ideas (LO 1.4.C)
- Develop and evaluate a pitch (LO 3.5.D)

Activities

Have students revise their business canvas, integrate supporting documents into the appendix, and prepare for classroom submission. Consider facilitating a reflection activity where students share lessons learned about entrepreneurship, risks, and the importance of hypothesis testing.

Assessments / Checks for Understanding

Check for completeness, evidence-based reasoning, and professionalism in students' final canvas and appendix. A rubric is provided on p. 182.

Optional Extension Activity

Ask students to write a 3–5 sentence reflection on what they learned about entrepreneurship, including new skills developed, challenges faced, and future opportunities.

Deliverables

By the end of this task, the deliverables are the final business canvas and appendix, which should be submitted for teacher scoring and inclusion in course grades (a blank business canvas template is available on p. 148 of this guide and on AP Classroom).

Frequently Asked Questions

1. **Do students have to launch a business to be successful in AP Business with Personal Finance?**
   No, students are not required to launch a business. The project is centered on the entrepreneurial journey, including hypothesis testing and ideation. Students will be most successful if they focus on learning from the process and reflecting on their work at each stage.
2. **What will students be assessed on?**
   Individual AP teachers collect and score their students' Business Canvas Projects and incorporate those scores into students' course grades. A rubric that can be used for this purpose is provided on p. 182.

   Students will also be assessed on their Business Canvas Project through the Business Canvas Project Exam-Day Validation FRQ on the AP Business with Personal Finance Exam. For additional information about the AP Exam, including a sample Business Canvas Project Exam-Day Validation FRQ and accompanying scoring guidelines, please refer to the Exam Information section that begins on p. 237.
3. **What should I do if students have trouble identifying a customer problem, need, or want to work on?**
   Some students may struggle with this stage in the process. Possible solutions include teaming up with a student or students who have an idea and need help or leading a class ideation activity to identify a wide variety of potential business ideas. Students are also permitted to use AI as an idea generator.
4. **What if students have a product idea but no identified customer problem or need?**
   Many students will have an idea of a specific business or product, like a lawn-mowing business or app. They should focus their early efforts on finding potential customers and eliciting candid feedback to validate whether the product is something people need and would pay for.
5. **What if students changed their minds about the problem or their solution in the middle of the course?**
   Students may change their project at any time; however, they will need to repeat earlier components of the project for the new business idea. For this reason, it is suggested that students commit to their idea at the end of Unit 1, but this is not a hard deadline. It is advised that students not change their business idea once they have begun Unit 3.
6. **What if students have an idea about a problem, need, or want but have trouble designing a solution?**
   The first step is to identify through customer interviews what kind of solution would address the problem, need, or want. Is it a physical product? A virtual product? An app? A service? From there, students can start ideating the product features and the supply chain.

7. **Are there guidelines on what kinds of products students can develop?**
For the Business Canvas Project, the student product must be legal and safe for use by teenagers. Many high school business competitions have further restrictions (e.g., no food products) so students should consult competition guidelines if they are planning to submit their business idea to a competition. Students may develop either goods or services.

8. **Do students have to work in teams?**
No. Working in teams is optional. Students may work alone or in a team of up to three. Due to the nature and length of this project, student teams will require a more formal structure than what they—and you—may be used to. This includes setting standards for individual contributions to help prevent conflicts from arising, like assigning specific roles or setting out ground rules for behavior, attendance, and contributions. For example, groups might decide who is responsible for researching specific topics or agree that everyone must speak during presentations. The collaboration skills contained in Skill Category 5 may be a useful reference as teams develop standards and norms.

9. **What if students have conflicts with their team members that cannot be resolved?**
Team conflicts are a natural part of the collaborative process. Students should anticipate challenges, discuss team norms, and agree to roles and responsibilities before beginning to work together on a team. If a conflict proves irreconcilable, students may split up, with each team member continuing to pursue the same business idea independently. Students should be advised before agreeing to work on a team that no single team member owns the team's idea or any intellectual property developed by the team.

10. **What are the acceptable uses of AI on the project?**
Consult the AP Program's latest guidance on the appropriate use of artificial intelligence tools and related services, available on **AP Central**.

11. **Can students use their project for CTSO or other competitions?**
Yes, this is recommended and encouraged; depending on when this project is facilitated, use of the project or project components can provide support for, or contributions to CTSO events within BPA, DECA, and FBLA. Other applications are at your discretion.

SUPPORTIVE PROJECT GUIDE FOR TEACHERS

ACTIONS THAT HELP:

- Encouraging students to develop a good or service they can deliver with available resources
- Providing students with class time to work on the project
- Providing students with feedback about their progress on the project
- Asking students questions to promote deeper understanding and reflection on the process
- Inviting local entrepreneurs or small business advisors (including those working in the financial services industry) as guest lecturers (if permitted)
- Challenging students to test their assumptions for accuracy
- Teaching students how to use the provided rubric to self-assess and peer assess the components of their business canvas

ACTIONS THAT HINDER:

- Discouraging students from local service ideas, such as dog walking or lawn mowing
- Telling students what kind of business to start
- Editing or revise student work
- Telling students that their business idea will not work
- Allowing students to work in groups larger than three

Business Canvas Project Rubric

Rubric Row	Scoring Category	Skills	Scoring Criteria
A	Customer Component	2.A	Students must complete the Customer Component of their Business Canvas, which includes the following elements: • Identification and validation of customer problem, need, or want • Target customer profile • Plan to build customer relationships, including sales tactic(s) • Market research findings on customer preferences • Marketing campaign, including digital marketing tool(s) • KPI(s) for customer-related goals
B	Hypothesis Testing of Customer Component Elements	2.B	Students must complete hypothesis testing to validate each of the following: the customer problem, need, or want, the target customer profile, customer preferences, a digital marketing tool Each description of hypothesis testing must include: • The hypothesis that was tested • The primary- and/or or secondary-source research method(s) • The evidence collected • How the evidence shaped decision making
C	Product Component	2.A 2.C	Students must complete the Product Component of their Business Canvas, which includes the following elements: • Minimum viable product (MVP) used to assess product-market fit • Value proposition • Branding/brand identity
D	Hypothesis Testing of Product Component Elements	2.B	Students must complete hypothesis testing to validate problem-solution fit, product-market fit using an MVP, and the effectiveness of branding. Each description of hypothesis testing must include: • The hypothesis that was tested • The primary- and/or or secondary-source research method(s) • The evidence collected • How the evidence shaped decision making
E	Market Component	1.B 2.A 2.C	Students must complete the Market Component of their Business Canvas, which includes the following elements: • PESTEL analysis • Plan to seek competitive advantage • Research findings on competitive landscape • KPI(s) for market-related goals • Framework analysis of market using Porter's Five Forces and/or SWOT analysis
F	Organization Component	2.C 3.A 3.B 3.C 3.D 5.A 5.B 5.C 5.D	Students must complete the Organization Component of their Business Canvas, which includes the following elements: • Vision statement • Mission statement • Skills assessment • Strategic decision using PACED model

Rubric Row	Scoring Category	Skills	Scoring Criteria
G	Operations Component	2.A 2.C	Students must complete the Operations Component of their Business Canvas, which includes the following elements: • Supply chain plan, including process(es) for producing the good or service • Marketing channel(s) • KPI(s) for operations-related goal(s)
H	Finance/ Accounting Component	1.B 2.C 4.A	Students must complete the Finance/Accounting Component of their Business Canvas, which includes the following elements: • Price and pricing strategy • Startup costs • Potential source(s) of financial capital • Revenue projection • KPI(s) for finance-related goals
I	Hypothesis Testing of Pricing Strategy	2.B 2.C	Students must complete hypothesis testing to validate the pricing strategy. The description of hypothesis testing must include: • The hypothesis that was tested • The primary- and/or or secondary-source research method(s) • The evidence collected • How the evidence shaped decision making
J	Data Visualization	1.B 2.C 4.A	Students must create a data visualization that reflects primary- or secondary-source market research findings about customer preferences and/ or the market landscape. The data visualization may be a bar chart, stacked bar chart, line graph, or pie chart, or a combination of these.
K	Pitch, Written	2.A 2.C 4.B	Students must complete a written pitch, which includes the following elements: • A brief description of your product • Your target customer profile • The problem, need, or want your product is intended to address • How or why your product creates value for customers
L	Pitch, Presentation to Audience	2.A 2.C 4.B	Optional: Students can deliver a 60-second oral pitch to an audience that includes an attention-getting introduction as well as the written pitch required elements.
M	Actual or projected income statement	1.B 2.C 4.A	Students must complete an actual or projected income statement, which includes the following elements: • Revenue based on product price and sales • Cost of goods sold (COGS) • Gross profit • Operating expenses • Pre-tax income

Supplemental Handouts

UNIT 3 · TASK 3

Sample Business Pitch Handout

High school cafeterias often leave students with few healthy snack choices between classes. Our business, Fuel Up! Snack Box, solves this problem by offering affordable, grab-and-go snack boxes filled with balanced options like fruit, protein bars, and water. When we talked with student athletes, eight out of ten told us they either skipped snacks or bought junk food because healthier alternatives were hard to find on campus.

Our value proposition is clear: Fuel Up! Snack Box delivers nutrition and convenience. Unlike vending machines that mainly stock chips and candy, our boxes are curated for energy and focus, designed to help student athletes who want to feel better and perform better in class and in sports.

We designed our model so that the cost to prepare each box stays well below the price students pay, even after we cover supplies, packaging, and school partnership fees. By sourcing ingredients in bulk and keeping our operations simple, we can maintain healthy profit margins while keeping prices student friendly. Demand for snacks is steady across the school week and can grow through clubs, teams, and events, which gives the business room to expand over time.

This pitch shows that Fuel Up! Snack Box meets a real need, provides a stronger option than current alternatives, and is built on a sustainable business model. It is good for students' health and a smart way to generate ongoing revenue for a student-run venture.

DECONSTRUCTION

1. **Attention Hook**
   - **Purpose:** Grab attention with a relatable problem.
   - **Example:** "High school cafeterias often leave students with few healthy snack choices between classes."
2. **Target Customer Profile**
   - **Purpose:** Identify potential customers
   - **Example:** "...designed to help student athletes who want to feel better and perform better in class and in sports."
3. **Problem Identified/Hypothesis Tested**
   - **Purpose:** Define and validate the customer problem.
   - **Example:** "8 out of 10 student athletes said they either skipped snacks or bought junk food because healthier alternatives weren't available."
4. **Value Creation**
   - **Purpose:** Explain how the good or service addresses the problem and creates value for customers.
   - **Example:** "Fuel Up! Snack Box delivers nutrition and convenience, unlike vending machines filled with candy."
5. **Closing**
   - **Purpose:** Summarize the impact and viability.
   - **Example:** "Fuel Up! Snack Box is a healthy, scalable solution that benefits students and investors alike."

UNIT 4 · TASK 3 | PACED Decision-Making Handout

STEP 1: DEFINE THE PROBLEM
What decision needs to be made?

STEP 2: LIST THE ALTERNATIVES
What are the possible courses of action?

Alternatives	Description
1:	
2:	
3:	

STEP 3: IDENTIFY THE CRITERIA
What factors are important in making the decision?

Criteria	Why It Matters
1:	
2:	
3:	

STEP 4: EVALUATE EACH ALTERNATIVE
Use the grid below to compare how well each alternative meets each criterion.

	Criterion 1	Criterion 2	Criterion 3	Notes/Evidence
Alternative 1				
Alternative 2				
Alternative 3				

STEP 5: DECIDE
Based on your evaluation, which option is the best choice, and what evidence and reasoning support this decision?

UNIT 4 · TASK 4 | Market Competitiveness Handout

PART 1: PORTER'S FIVE FORCES

Porter's Five Forces is a way to study the outside pressures on a business. Think of it as mapping the "battlefield" your business is stepping into. Businesses don't operate in vacuums. They face competition and must manage both opportunities and challenges. These tools, Porter's Five Forces and SWOT, help us see what's going on around a business and inside it.

The Five Forces

Competitive Rivalry: Who are your direct competitors, and how intense is the competition? Include the names and numbers of rivals if possible.

Threat of New Entrants: How easy is it for new businesses to enter the market? Are there barriers like cost, technology, or government rules?

Threat of Substitutes: What other kinds of products could customers use to address their problem, need, or want (to distinguish this from rivalry) instead of yours? (provide specific examples; name and provider.)

Power of Suppliers: How much control do resource suppliers have over prices or availability of materials you need?

Power of Buyers (Customers): How much influence do customers have over price and quality expectations?

Porter's Five Forces Template

Force	Specific Evidence
Competitive Rivalry	
Threat of New Entrants	
Threat of Substitutes	
Power of Suppliers	
Power of Buyers	

PART 2: SWOT ANALYSIS

SWOT (strengths, weaknesses, opportunities, threats) helps you connect what's happening inside your business with what's happening outside of the market.

The Four Quadrants

Strengths (internal): What do you do well? What skills do you have that contribute to your business's core competencies? (For example: good grades in math or business classes; existing followers on TikTok/Instagram who match your target customers.)

Weaknesses (internal): What are the characteristics of your business that would be disadvantaged? (For example: limited startup money to buy supplies or equipment; shyness or discomfort talking to strangers or selling face-to-face.)

Opportunities (external): What trends, gaps, or chances can you take advantage of? (For example: school or local events where lots of customers are in one place; local social media trends you could join or start like a popular challenge you can tie your product to.)

Threats (external): What risks or problems could hurt your success? (For example: a new or existing business selling a very similar product at a lower price or higher quality; school or local rules that restrict selling on campus or in certain areas.)

Strengths	**Opportunities**
Weaknesses	**Threats**

How They Connect

Five Forces shows you the pressures and dynamics in your market.

SWOT helps you respond strategically by seeing where your idea is strong, weak, or needs adjustment.

Used together you can adapt your Business Canvas Project to better fit reality.

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AP BUSINESS WITH PERSONAL FINANCE

Financial Advisor Project Guide

Project at a Glance

Project Overview

This Financial Advisor Project Guide is an instructional resource for immersing students in the process of financial planning and decision making through authentic, scenario-based learning. Much like professional advisors, students examine their clients' household income and expenses, review debt and credit, decode pay stubs and taxes, assess insurance coverage, and evaluate savings and investment strategies, and connect these elements to the clients' short- and long-term goals. This guide is intended to be used in conjunction with the Guide to Teaching with Cases, the AP-provided business cases, the Business Canvas Project Guide, and the AP Business with Personal Finance Course Framework to ensure that students engage with the full range of course content. Together, these resources provide an integrated framework that connects business concepts, financial literacy, and applied problem-solving through a cohesive sequence of entrepreneurial, financial, and analytical experiences.

Rather than practicing isolated skills, this project encourages students to use their knowledge and skills to explain trade-offs, justify recommendations, and communicate advice persuasively. They also learn to defend their reasoning in real time, responding to client questions and challenges just as professional financial advisors would. Their work culminates in a household financial plan and client presentation that demonstrates reasoned decision making based on their financial literacy and the ability to apply it in a realistic scenario.

Project Goals

This project emphasizes the application of financial literacy to authentic decision-making contexts. By the end of the project students will:

- Strengthen mastery of financial literacy standards for income, spending, credit, taxes, risk management, saving, investing, and charitable giving
- Practice structured decision making by establishing decision-making criteria, weighing trade-offs, and evaluating options with consideration of client goals and values
- Develop analytical skills by interpreting financial data and using it to recommend a decisive course of action for an individual and support the recommendation with persuasive reasoning and evidence
- Learn how financial planning supports the ability to achieve long-term goals related to postsecondary education, housing, retirement, and charitable giving
- Build upon their established communication and collaboration skills by preparing and delivering professional presentations, providing and receiving peer feedback, and working in small groups
- Gain confidence in defending financial recommendations under questioning, demonstrating how reasoning and trade-offs matter as much as the final answer
- Understand how households can protect themselves from both physical and financial risks, including those related to fraud, scams, and predatory lending
- Connect classroom learning to their own financial futures, understanding how decisions about education, housing, investing, giving, and risk management shape long-term stability

Project Description

In this culminating financial advisor project for the AP Business with Personal Finance course, students step into the role of financial advisors to apply, synthesize, and communicate what they have learned about personal financial literacy.

Students work with a financial profile for a fictional but realistic client household, developing and revising a plan that evolves over time. Each of the four major tasks iteratively builds toward a client-ready financial plan, complete with supporting data, evidence-based recommendations, and visualizations that demonstrate both technical accuracy and client-centered communication.

The culminating task may take different forms: a simulated client meeting, a written report, an email or video consultation, or an in-class advising session with volunteers role-playing as the client household. In all cases, the emphasis is on reasoning, clarity, and communication, not on arriving at a predetermined right answer. A rubric to help guide teacher scoring of the Financial Advisor Project is provided on p. 234.

Process Overview

Help students understand that financial advising is not about finding the perfect solution or a predetermined answer. Their goal through this project is to apply principles thoughtfully, weigh the evidence against the needs of their clients, and communicate their plan clearly. By the time students reach the culminating event, they will have practiced not only the technical skills of financial literacy but also the professional skills of listening, explaining, and defending recommendations with confidence. Throughout these activities, remind students that there is no one-size-fits-all way for households to budget and meet their goals.

Emphasize that financial advising requires both analysis and empathy; advisors must help clients recognize where their money is going, understand how daily financial behaviors influence progress toward goals, and identify practical adjustments that honor client values while promoting financial stability. Throughout these activities, remind students that every household's plan is unique, and advisors must recognize that financial advising involves balancing numbers with values and helping clients make realistic, goal-aligned choices rather than perfect ones. Just as every household's financial plan is unique, adapt instruction to reflect your country's relevant financial systems and structures, including tax and government systems.

Students may work alone or in a team of up to three. Due to the nature of this project, student teams will require a more formal structure than what they, and you, may be used to. This includes setting standards for individual contributions to help prevent conflicts from arising, like assigning specific roles or setting ground rules for behavior, attendance, and contributions. The project is organized as a series of four iterative tasks, with a culminating event.

TASK 1: IDENTIFY FINANCIAL GOALS

Students analyze their clients' financial profile and identify both short- and long-term goals related to postsecondary education, housing, charitable giving, and retirement. They explore how personal values influence financial priorities and practice articulating these differences through discussion and role-play.

TASK 2: ANALYZE INCOME AND SPENDING

Students evaluate their clients' profile and analyze the income sources, spending habits, and debt to determine the clients' current financial situation. They calculate cash flow and assess spending against benchmarks using the

Budget Planning Document and the Comprehensive Financial Plan Template. Students also review pay stubs to analyze taxes, deductions, and take-home pay, reinforcing how taxation and benefits affect financial capacity and goal feasibility.

TASK 3: EVALUATE INSURANCE AND RISK MANAGEMENT

Students assess the clients' insurance coverage to determine whether existing protection aligns with their clients' goals and risk tolerance. Students explore how personal characteristics and behaviors influence premiums and how fraud-prevention strategies protect financial security.

TASK 4: EVALUATE INVESTMENT, SAVING, AND GIVING STRATEGIES

Students move from protection to growth, creating an evidence-based savings and investment plan. They use calculators and benchmarks to model time horizons, compounding, and risk–return trade-offs. Students also design a giving plan that aligns charitable contributions with the clients' values and budget.

CULMINATING EVENT: ADVISING THE CLIENTS

Students synthesize all project deliverables into a Comprehensive Financial Plan using the Comprehensive Financial Plan Template, including budgeting, taxes, insurance, investing, and charitable giving. They present recommendations to a simulated client demonstrating how evidence-based financial planning can be explained with empathy, professionalism, and clarity. Suggestions for authentic delivery formats are provided, with a specific example detailed in this guide.

Project Timing

This culminating project is designed to be completed along with Unit 5 instruction over the course of approximately five weeks. It may be adapted to fit local schedules and contexts. Strive to pace each task flexibly, allowing time for reflection, research, and peer review as needed.

Example Client Profile: The Davis Household

A sample financial client profile of the Davis household is provided on p. 207 of this guide. This profile includes detailed information about the household's income, expenses, debt, goals, insurance, and investments, providing students with a realistic foundation for their analysis and recommendations. A selection of household financial profiles will be available on AP Classroom; teachers can use a provided profile, modify one, or design their own.

Project Plan

Financial Advisor Project	Topics	Skills	Learning Objectives	Essential Knowledge	Previous Essential Knowledge	Deliverables
Task 1: Identify Financial Goals	5.1	1.B, 1.C 3.A	5.1 A 5.1.B 5.1.C	5.1.A.1, 5.1.A.2, 5.1.A.3, 5.1.A.4, 5.1.A.5 5.1.B.1, 5.1.B.2, 5.1.B.3, 5.1.B.4 5.1.C.1, 5.1.C.2, 5.1.C.3, 5.1.C.4, 5.1.C.5, 5.1.C.6	1.3.B.1, 1.3.B.3 2.2.A.3 3.1.A.1, 3.1.A.4 3.1.C.3 3.3.A.5 3.6.C.4, 3.6.C.5 4.1.D.1, 4.1.D.2, 4.1.D.3, 4.1.D.4, 4.1.D.5	Assignment 1 of the Budget Planning Document
Task 2: Analyze Income and Spending	5.1	1.B 3.B, 3.C 4.B	5.1.A 5.1.C	5.1.A.4 5.1.C.1, 5.1.C.2, 5.1.C.3, 5.1.C.4, 5.1.C.5, 5.1.C.6	3.2.C.3, 3.2.C.4 3.3.A.2, 3.3.A.5 3.6.C.4, 3.6.C.5 4.2.A.1	Assignment 2 of the Budget Planning Document
Task 3: Evaluate Insurance and Risk Management	5.2	1.B, 1.C 2.D	5.2.A 5.2.B 5.2.C 5.2.D	5.2.A.1, 5.2.A.2, 5.2.A.3, 5.2.A.4, 5.2.A.5 5.2.B.1, 5.2.B.2, 5.2.B.3, 5.2.B.4, 5.2.B.5, 5.2.B.6 5.2.C.1, 5.2.C.2, 5.2.C.3, 5.2.C.4, 5.2.C.5, 5.2.C.6 5.2.D.1, 5.2.D.2, 5.2.D.3	1.8.B.4 2.1.D.1, 2.1.D.2, 2.1.D.3 3.1.A.5 3.1.B.2 3.1.C.3 3.2.B.1 3.4.B.6 3.5.C.7	Assignment 3 of the Budget Planning Document and a Fraud Protection Tip Sheet
Task 4: Evaluate Investment, Saving, and Giving Strategies	5.3	1.A, 1.C 3.C, 3.D	5.3.A 5.3.B 5.3.C	5.3.A.1, 5.3.A.2, 5.3.A.3, 5.3.A.4, 5.3.A.5, 5.3.A.7 5.3.B.1, 5.3.B.2, 5.3.B.3, 5.3.B.4, 5.3.B.5, 5.3.B.6, 5.3.B.7 5.3.C.1, 5.3.C.2, 5.3.C.3, 5.3.C.4, 5.3.C.5, 5.3.C.6	4.3.B.3	Assignment 4 of the Budget Planning Document and a giving recommendation that integrates values, goals, and affordability
Culminating Event: Advising the Clients	5.1 5.2 5.3	3.D 4.B	5.1 A 5.1.B 5.1.C 5.2 A 5.2.B 5.2.C 5.3 A 5.3.B 5.3.C		4.1.B.1, 4.1.B.2, 4.1.B.3	Assignment 5 of the Budget Planning Document, a Comprehensive Financial Plan, visualizations or supporting materials, and client presentation

TASK 1:
Identify Financial Goals

Task 1 Deliverable:
- Assignment 1 of the Budget Planning Document

Driving Question
How can we, in the role of financial advisors, help clients identify their goals and assess how their current financial behaviors may help or harm their ability to reach those goals?

Student Objectives
The project begins by asking students to consider what matters most in a household's financial life. Just like professional financial advisors, students start by reviewing their clients' financial profile and identifying the clients' stated short- and long-term goals. These typically include preparing for postsecondary education, making housing decisions, and planning for retirement income. The emphasis is not on offering solutions at this early stage, but instead on understanding the clients' aspirations, current financial behavior, and the trade-offs they will face along the way. Consider framing this task with an entry-event scenario, such as a first client interview or meeting. This helps students understand their role as financial advisors; they should focus on clarifying what matters most to the household, how current habits and constraints show up in the data, and which trade-offs the clients are already facing, rather than jumping straight to solutions.

Activities
On day 1, provide students with copies of a household financial profile. The Davis Family example is included on p. 207 of this guide. Ask students to identify the household's stated financial goals and identify any positive factors or concerns they notice. Ask students to consider: How would you characterize this household's current financial habits and decision making? (Consider their cash-flow management, saving behavior, use and type of debt, and planning for future goals. For example, do they seem more conservative or aggressive, more short-term or long-term focused, and more thoughtful or more reactive in how they manage their money?)

Distribute copies of the Budget Planning Document and ask students to respond to Assignment 1 prompts 1–2.

On day 2, review what students learned about consumer budgeting during the course. Then engage students in an activity to identify and discuss the components of a household budget: sources of income, types of savings, charitable contributions, and categories of expenses (distinguishing between fixed expenses and variable expenses). Ask students to identify key income and expense data in their financial profile, and then assess their clients' financial behavior and risk tolerance by responding to Assignment 1 prompts 3–5 in the Budget Planning Document.

On day 3, begin by reviewing what students learned about taxes during the course. Engage them in an activity or instruction about the specific types of taxes households pay and why different households pay different amounts in taxes. Briefly define an example of a tax deduction and distinguish between tax deductions and tax credits, and use a simple tax bracket example to show that the U.S. federal income tax system is progressive, meaning higher levels of income are taxed at higher marginal rates. Ask students to review their provided financial profile and identify the types of taxes paid by the household. Highlight how a portion of each paycheck is withheld for certain taxes, reducing the household's net income and affecting how much is available to meet goals.

Note: Some taxes, such as sales taxes, property taxes, or capital gains taxes, may not be reflected in their assigned profile but should still be covered in class.

On day 4, begin by reviewing what students have learned about compensation and benefits, such as health insurance and retirement savings plans. Engage students in an activity to decode the clients' sample pay stub and describe each of the deductions. As they decode the pay stub, have students calculate the difference between gross pay and net pay for one period and explain how income tax withholding contributes to that difference. Briefly explain that payroll taxes like Social Security and Medicare (in the United States) fund government programs that can provide income and health coverage in retirement or in certain life circumstances. Ask students to respond to Assignment 1 prompts 6–7 in the Budget Planning Document.

Optional Extension Activities

- Personal Reflection: Ask students to write a short paragraph comparing their own financial goals (current or future) to the goals in the financial profile. For example, ask them if they had to choose between saving for college or buying a car, which would they prioritize, and why? This homework emphasizes that financial goals are shaped by context, values, and opportunity costs.
- Research Extension: Assign students to read or watch short resources on budgeting strategies (e.g., the 50/30/20 rule, zero-based budgeting, or "pay yourself first"). Ask them to prepare one piece of advice from these strategies they might recommend to their clients in the next task.
- Competition Prep*: For practice with perspective taking, students can create a short scenario card: "Imagine you are part of a household that must decide whether to move to a larger home or save for retirement. Write three sentences explaining your reasoning." These cards can be swapped and role-played when students have time to prep for competitive events.

Deliverable

By the end of Task 1, the deliverable is Assignment 1 of the Budget Planning Document, including the summary for transfer to the Comprehensive Financial Plan. In later tasks, students will revisit the clients' goals as benchmarks for evaluating budgeting, insurance, and investment strategies.

*Competition Prep activities refer to existing competitive events offered through Career and Technical Student Organizations (CTSOs) within CTE Business, Marketing, and Finance pathways. The organizations, such as DECA, FBLA, and BPA, are national and international co-curricular student organizations. Participation in these events is optional for this course and at teacher discretion.

TASK 2:

Analyze Income and Spending

Task 2 Deliverable:

- Assignment 2 of the Budget Planning Document

Driving Question

What is my clients' current financial situation?

Student Objectives

Students develop the ability to use financial data as evidence for decision making within the context of personal finance. They document their findings in Assignment 2 of the Budget Planning Document and begin organizing observations that will inform the sections on budgetary strategy and debt management in their final Comprehensive Financial Plan.

Activities

On day 1, explain that financial advisors begin each engagement by developing a clear picture of their clients' current financial position. Have students highlight all income sources described in their household profile, then categorize all household expenses as either fixed or variable. Ask students to assess:

- Which expenses are essential or non-negotiable
- What patterns suggest opportunities for savings or adjustments
- How these patterns may reflect the household's financial habits or values

Have students respond to Assignment 2 prompts 1–2 in the Budget Planning Document.

On day 2, focus on the concept of budgeting benchmarks as tools for comparing household spending to recommended standards, which is similar to how businesses use key performance indicators (KPIs). Share how advisors use generally accepted financial guidelines (e.g., 25–30% for housing) to identify overspending in specific categories. Have students research three credible financial sources and record benchmark data for housing, transportation, and groceries in Assignment 2 prompts 3–4 in the Budget Planning Document, before responding to prompt 5. Ask students to then identify what trade-offs their clients can consider in order to re-allocate spending to better meet their goals.

On day 3, guide students through completing the Household Budget Template by totaling income and expenses and calculating the monthly surplus or deficit. Have students interpret results and explain what those numbers reveal about their clients' priorities and challenges. They should consider how this budget reflects the clients' goals identified in Task 1. Identifying what patterns indicate stability or financial stress will help students develop their initial analysis as they summarize their findings in Assignment 2 prompt 6 in the Budget Planning Document.

On day 4, review the concept of net worth and introduce debt analysis as part of assessing overall financial health. Then ask students to compile household assets and liabilities to calculate net worth, using Assignment 2 prompts 7-8. Note that net worth may be negative. They should record the clients' total assets, including investments and savings, as well as total debt and monthly obligations. Remind students to include any credit card debt and payments within their evaluation. Discuss interest rates, minimum payments, and the differences between types of debt, such as an auto loan, which has fixed payments over a defined and agreed upon timeframe, and a credit card, which is an outstanding balance that many borrowers carry over from month to month with an undefined payback period and only minimum required monthly payments.

Model how interest rates increase the cost of borrowing over time. Then ask students to research current rates for credit cards, mortgages, and auto loans and to consider strategies such as paying down high-interest debt or minimizing credit use. Ask students to use what they have learned about the household's current financial situation to respond to prompt 9.

Optional Extension Activities

- Research Extension: Have students find one budgeting strategy (e.g., zero-based budgeting or the envelope system) and write a one-sentence summary of how it could apply to the clients' household.
- Competition Prep: Ask students to create a short "budgeting dilemma" card. It may say something like, "The client can increase spending on X but would need to cut back on Y. Which option would you recommend?" Students can swap cards and facilitate their role-play with each other in their next class.

Deliverable

By the end of Task 2, the deliverable is Assignment 2 of the Budget Planning Document, including the summary for transfer to the Comprehensive Financial Plan.

TASK 3:

Evaluate Insurance and Risk Management

Task 3 Deliverables:

- Fraud Protection Tip Sheet
- Assignment 3 of the Budget Planning Document

Driving Question

How do households reduce their risk of financial losses, including those related to fraud and deception?

Student Objectives

Students shift from analyzing spending to understanding how households protect themselves from unexpected loss. Acting as financial advisors, students examine their clients' insurance coverage, evaluate risk tolerance, and determine whether the household's protection aligns with its goals and resources. They also learn how personal characteristics, behaviors, and fraud awareness influence overall financial stability. Students record findings in Assignment 3 of the Budget Planning Document.

Throughout these activities, remind students that an advisor's role is to balance cost, risk, and protection. Advisors help clients make informed decisions that safeguard their finances without overspending on unnecessary coverage.

Activities

On day 1, review the concept of risk management and remind students that insurance transfers financial risk from an individual to an insurer. Share with students some everyday risk scenarios and have them decide in each scenario whether to self-insure by increasing emergency savings or transfer risk by purchasing (if available) an insurance policy. Debrief as a class, highlighting how people decide which losses they can afford versus those they must insure against. Conclude the activity by defining the various types of insurance (e.g., health, auto, renters/home, life, and disability) and discussing which are required by law.

On day 2, connect physical risk to financial fraud and deception. Define fraud and discuss the common forms of fraud that affect individuals and households, like phishing, identity theft, and predatory lending. Include at least one example of insurance fraud, such as an individual exaggerating a loss on an insurance claim. In small groups, have students analyze short scenarios showing different scams; ensure that at least one scenario involves insurance fraud and others reflect high-profile scams from local or national current events.

Each group should identify possible concerns and prevention steps and then contribute one idea to a class list of fraud protection strategies. Review consumer protections such as comparing loan offers, resisting high-pressure sales and using credit freezes. Students then begin drafting a Fraud Protection Tip Sheet.

On day 3, guide students through evaluating their household profile. They should identify or infer existing coverage and assess whether it matches the clients' needs and risk tolerance, responding to Assignment 3 prompts 1–2 in the Budget Planning Document. Discuss key terms such as premium, deductible, coverage limit, and claim, as well as essential policy evaluation elements like how increasing deductibles lowers premiums but raises out-of-pocket costs. In pairs, have students locate gaps or overlaps in coverage and discuss how household characteristics (age, health, dependents, credit history) influence premiums for their clients, recording their recommendations in Assignment 3 prompts 3–4 in the Budget Planning Document.

On day 4, explore how personal and household factors affect both insurance and fraud vulnerability. Discuss how risk tolerance, number of dependents, and other factors (e.g., driving record and smoking) influence insurance costs. Present two short policy summaries that illustrate different deductible and premium options, then lead a brief discussion, asking which plan would best fit the clients' household and why? Conclude by asking students to revise both their insurance recommendations from day 3 and the Fraud Protection Tip Sheet to reflect their new understanding, and complete Assignment 3 prompt 5 in the Budget Planning Document.

TEACHER TIP

The Fraud Protection Tip Sheet is one component of the students' advice to their fictional clients. The format of this deliverable is at your discretion—for example, it may be a checklist or a narrative. The Tip Sheet should identify common fraud or deceptive practices relevant to the client household, such as phishing, identity theft, predatory lending, or insurance fraud, and it should outline clear actions the household can take to reduce risks.

Optional Extension Activities

- Personal Reflection: Have students write a short paragraph about which type of insurance their future self may need after graduating high school (e.g., health, auto, and cellphone protection) and explain why it would be a priority and how it protects them against loss.
- Case Comparison: Assign a short reading or video on the financial consequences of being uninsured. Students can then summarize in 2–3 sentences how a lack of insurance or fraud protection could jeopardize household financial goals.

- Competition Prep: Provide students with a short scenario such as, "The clients' car is totaled in an accident. The driver was a dependent minor with only a permit. What happens next?" Then have them write a brief response outlining the financial impact and how proper coverage could have mitigated the loss.

Deliverables

By the end of Task 3, the deliverables are a Fraud Protection Tip Sheet and Assignment 3 of the Budget Planning Document, including the summary for transfer to the Comprehensive Financial Plan.

TASK 4:

Evaluate Investment, Saving, and Giving Strategies

Task 4 Deliverables:

- Assignment 4 of the Budget Planning Document

Driving Question

How can we help clients design a personalized investment, saving, and giving strategy that balances their goals, risk tolerance, time horizon, and values?

Student Objectives

Students move from protecting assets to planning for growth. Acting as financial advisors, they evaluate the clients' saving and investing choices, calculate how much the household must save to reach each goal, and compare investment options using risk–return data and benchmarks. Students also learn how inflation, fees, and behavioral factors affect real returns and how charitable giving can be integrated into a sustainable financial plan.

Throughout this task, emphasize that investing and charitable-giving decisions are both value driven and evidence based. Advisors use clear reasoning, simple tools, and client priorities to make recommendations that balance risk, return, and impact.

Activities

On day 1, help students estimate the cost and time horizon to attain each of the clients' goals, with today's deliverable focused on the retirement goal. Start by asking students to respond to prompts 1–4 on Assignment 4 in the Budget Planning Document, which address the household's assets, goals, and time horizon.

Now shift the focus to the household's retirement goal. Model how to use a retirement calculator to estimate a target retirement savings amount, the time horizon to retirement, and the monthly savings required to stay on track. Explain that students should also consider available national retirement benefits programs. In the United States, individuals may receive retirement benefits through Social Security as early as age 62, but their benefit amount is higher if they wait until age 70. Online calculators are available to help project potential Social Security benefits based on different retirement ages for the fictional household. Have students identify the trade-offs the clients' household may face if they try to fund all goals at once, with particular attention to how retirement contributions might be increased, reduced, or delayed. They should record their findings in Assignment 4 prompt 5 in the Budget Planning Document and hold prompts 6–7 for Day 2, after they review investment vehicles and risk/time horizon alignment.

On day 2, review how risk tolerance and time horizon influence investment decisions. Remind students of the savings and investment vehicles they studied earlier in the course—from simple high-interest savings accounts to CDs, money market accounts, stocks, and bonds, and introduce new ones like mutual funds. Explain that diversification spreads risk across different asset types, balancing potential growth and stability. Ask students to order investment products from lowest to highest risk and identify which align with short-, medium-, and long-term goals. Then have students use that analysis to recommend appropriate financial assets for the clients' goals and record their recommendations in Assignment 4 prompts 6–7 in the Budget Planning Document.

On day 3, direct students to focus specifically on the clients' housing goal(s) and work to complete the Housing Goal section of Assignment 4 prompts 8–9 in the Budget Planning Document. Model how to use a mortgage calculator to estimate the required down payment and monthly mortgage payments (including taxes and insurance) for a home, and then have students compare the projected payment to the household's current housing costs and to recommended budget benchmarks (e.g., housing as a percentage of net income). Ask students to use these calculations, along with what they know about the clients' savings, debt, income stability, and credit factors, to decide whether to recommend maintaining current housing or pursuing a home purchase on the current timeline and to record a brief, data-based justification in their Budget Planning Document.

On day 4, have students turn their attention to the clients' postsecondary education goal(s) and complete the Education Goal section of Assignment 4—prompts 10–11 in the Budget Planning Document. Model how to use a college cost calculator to estimate the total cost of attendance for at least one program (including tuition, fees, housing, and other expenses) and how that cost might differ across institution types or locations. Then guide students in outlining a realistic funding mix that could include family savings, scholarships and grants, work-study or part-time work, and student loans. Emphasize the differences between federal and private student loans, including typical interest rates and repayment terms, and have students estimate a plausible monthly loan payment the client or their family member might face after graduation. Ask students to evaluate how this education plan would affect the household's budget and ability to achieve other goals by considering what level of student debt is manageable alongside ongoing housing costs and retirement savings. Using their cost estimates, they should record potential funding ideas and a brief, data-based recommendation about whether to pursue, delay, or modify the education goal in Assignment 4—prompts 10–11 in the Budget Planning Document. They will then adapt this work into the education section of their Comprehensive Financial Plan.

On day 5, introduce charitable giving as part of a holistic financial plan. Discuss how households choose organizations that align with their values and how giving decisions can affect long-term goals. Explain how to create a giving plan: by identifying a cause or causes that they support and determining giving type (e.g., one-time, recurring, or legacy). Students must consider the budget impact, potential tax benefits, and their clients' values in building this plan. Using the clients' financial profile, have students evaluate any existing charitable giving and propose one budget-aware, values-aligned giving recommendation and record their recommendations below Assignment 4 prompt 12 in the Budget Planning Document.

On day 6, have students apply benchmarks as tools for measuring investment performance and setting realistic expectations about financial returns. Provide a brief overview of major indices (such as the S&P 500 or Dow Jones, which are not addressed in the course framework but provide useful context), and explain why fees and inflation matter when comparing returns. Direct students to select one benchmark for a proposed investment vehicle and share a brief explanation with the class describing how it can guide expectations. Discuss diversification and guide students to an understanding of how spreading investments across stocks, bonds, and other financial assets reduces risk.

On day 7, explain that inflation, fees, behavioral biases, and taxes all impact real returns and that emotions can affect decision making. Online tools or charts can be used to show how a 2–3% annual inflation rate erodes purchasing power and how investment fees compound over time. Discuss common behavioral biases, including overconfidence and loss aversion, and explain how advisors can help clients manage them. Use a brief example to illustrate a capital gains tax. For instance, show how a $1,000 profit from selling an investment would be reduced by a capital gains tax, and compare that to how the same $1,000 would be taxed as ordinary income. Students should revisit the required monthly contribution estimates they determined in prompt 5 and adjust them for inflation, taxes, and fees. Then ask them to analyze how these changes affect the projected outcomes and identify behavioral tendencies that could influence their clients' decisions. Students can make any necessary adjustments to the required monthly contributions to meet savings goals in prompt 5.

Finally, guide students in synthesizing all Task 4 findings (their suggested savings target, investment strategy, and giving plan) into a concise written recommendation for their clients. Students should start by recording the total impact of their recommendations on the household's monthly budget in the Budget Impact Table and then record notes in the summary for transfer section.

Optional Extension Activities

- Competition Prep: Have students respond to a scenario such as "Your client wants to increase their donations to a nonprofit but are concerned it will impact their college savings goals timeline. How can they adjust their investment strategy to balance both priorities?"
- Inflation and Fees Hypothesis Testing: Ask students to propose a testable hypothesis, such as "if inflation rises, then average stock market returns (adjusted for inflation) will decline" or "higher investment fees are associated with lower long-term portfolio growth." Students can then gather recent financial data or credible articles to evaluate their hypothesis. They should analyze whether evidence supports or refutes their claim and summarize the strength of the relationship between the factor (inflation, interest rates, or fees) and investment outcomes.

Deliverables

By the end of Task 4, the deliverables are Assignment 4 of the Budget Planning Document, including the summary for transfer to the Comprehensive Financial Plan, and a giving recommendation that integrates values, goals, and affordability.

CULMINATING EVENT:
Advising the Clients

Culminating Event Deliverables:
- Assignment 5 of the Budget Planning Document
- Comprehensive Financial Plan
- Visualizations or supporting materials to communicate findings clearly (charts, graphs, or summary tables)
- Professional client presentation

Driving Question
How can we communicate sound financial advice in a clear, persuasive, and empathetic manner?

Student Objectives
In the culminating event, students complete their roles as financial advisors by integrating work from all four tasks into a complete financial plan and formal deliverable. As students prepare their overall recommendations, prompt them to pull in their goal analyses from the Budget Planning Document related to postsecondary education, housing, retirement, and charitable giving so that each becomes part of the clients' broader investment and savings strategy. This deliverable should demonstrate evidence-based reasoning, professionalism, and empathy by presenting recommendations that align with the household's goals, values, and financial realities.

Activities
On day 1, have students review their deliverables from Tasks 1–4 and respond to Assignment 5 prompts 1–2 in the Budget Planning Document to compile all recommendations and identify how each one affects the clients' budget. Have students create their final recommended budget, reflecting their proposed adjustments, on a clean version of the Household Budget Template. Emphasize that financial planning is an iterative process of balancing goals, resources, and risks.

On days 2–3, students should transfer data and notes from the Budget Planning Document to their Comprehensive Financial Plan, using the Comprehensive Financial Plan Template, and begin to synthesize and summarize advice. Provide guidance and oversight on how they can map out all of their recommendations before writing a concise executive summary and recommendations section that clearly explains how each element of the plan supports the clients' goals. Encourage students to reference data and insights from all documents, asking themselves:

- How do these recommendations reflect both the clients' priorities and their constraints?
- What trade-offs had to be made, and why?

On day 4, transition from written analysis in the Comprehensive Financial Plan Template to professional communication. Explain that effective advisors balance data-driven reasoning with empathy and clarity. Inviting guest evaluators from the local community or finance-related professions to observe presentations and play the role of the client is highly encouraged. Local Chambers of Commerce can be useful partners for community involvement.

On day 5, have students present their final Comprehensive Financial Plans and supporting materials. Organize students and guests into advisory group sessions or simulated client meetings. Encourage student advisors to use plain language rather than technical jargon as they:

- Present their comprehensive household financial plan using selected visuals
- Reference key deliverables (Budget Planning Document and notes)
- Respond to questions that test their reasoning, clarity, and professional tone

Prep peers or guests who are serving as clients to ask probing questions. Consider drafting question sheets (like those used in competitive events) that include questions, space for notes, and a rubric. Suggested questions include:

1. What trade-offs did you consider when recommending this investment strategy for me?
2. How does this plan reflect my tolerance for risk?
3. If inflation or interest rates rise, how will that affect my ability to meet my goals?
4. If my circumstances change, due to something like a job loss or medical emergency, or new goals arise, how would you recommend adjusting this plan?

Optional Extension Activities

- Personal Reflection: Have students write a one-page summary identifying the most valuable financial concept learned during the project and how it could apply to personal financial goals.
- Peer Feedback: Ask students to review a classmate's financial plan and write one paragraph highlighting the strength of their analysis and one suggestion for improvement.
- Research Extension: Have students research one current event related to financial advising, investment trends, or consumer protection and summarize how it connects to topics from the project.

Deliverables

At the end of the culminating event, the deliverables are Assignment 5 of the Budget Planning Document, a Comprehensive Financial Plan, visualizations or supporting materials to communicate findings clearly (charts, graphs, or summary tables), and a professional client presentation delivered in one of several authentic formats (e.g., in-person meeting, role-play, recorded video, or written advisory report).

Frequently Asked Questions

1. **Is there a right or wrong way for students to build their financial plans?**
   No. Just like in the Business Canvas Project, success in this project is measured by how well students apply financial literacy concepts, weigh trade-offs, and communicate their reasoning. The goal is for them to show understanding and thoughtful decision making, not to produce "right" answers.
2. **What should I do if students struggle with math in budgets or investments?**
   You can provide scaffolds such as budget templates, calculators, or online tools. The focus should be on interpreting what the numbers mean and how they connect to financial goals, not on advanced calculations.
3. **How do I handle sensitive topics if students compare the finances of their own family to that of their client profile?**
   Make it clear from the start that the fictional client profile is the shared focus. When personal connections are invited (like reflections or family interviews), keep them optional and emphasize that all sharing should be voluntary.
4. **Can students work in teams?**
   Yes, though it is not required. Small groups of two or three can collaborate effectively, especially on activities that involve role-play or peer advising. However, each student in a group should maintain their own copy of deliverables (budget planning documents, recommendations, etc.) to ensure accountability and provide the opportunity for individual assessment. Due to the nature and length of this project, student teams will require a more formal structure than what they, and you, may be used to. This includes setting standards for individual contributions to help prevent conflicts from arising, like assigning specific roles or setting out ground rules for behavior, attendance, and contributions.
5. **What if students have trouble understanding insurance or investment concepts?**
   Use analogies, real-world hooks, and interactive activities to make abstract ideas concrete. Focus on conceptual understanding and application to the client household, not technical jargon.
6. **How much class time should I devote to the project?**
   The project is designed for approximately 24 instructional periods (about five weeks) with an additional 20 days allocated to extended coverage of personal finance. That said, you can adjust the pacing to fit your context. Some tasks may need more time if students require extra practice or if you want to invite guest speakers to enrich the experience.
7. **How should I grade the project?**
   Assessment should emphasize process and application. You may grade individual deliverables along the way, including the culminating event and student presentations of their financial plan. Rubrics should reward clarity, reasoning, relevancy, and evidence used, not whether a financial strategy is designed to generate recurring income from the client household. A rubric to help guide teacher scoring of the Financial Advisor Project is provided on p. 234.

8. **What if students don't take the client role-play seriously?**
Establish norms early for professionalism and authenticity. Encourage students to imagine that their clients are counting on them. You can heighten authenticity by staging the culminating event in a different space (like a library or office setting) or inviting guest volunteers to play the role of clients.

9. **What if students are anxious about presenting their advice at the end?**
Offer flexibility. Some students may prefer to write a professional-style report or record a video consultation rather than role-play live. What matters is that they demonstrate the ability to explain their reasoning clearly and professionally. You can also scaffold presentations with practice rounds, peer feedback, or smaller group settings to build confidence.

10. **What are the acceptable uses of AI on the project?**
Consult the AP Program's latest guidance on the appropriate use of artificial intelligence tools and related services, available on **AP Central**.

11. **Can students use their project for career and technical student organizations (CTSOs) or other competitions?**
Yes, this is highly recommended and encouraged. Depending on when this project is facilitated, students' projects or project components can provide support for, or contributions to, CTSO events within BPA, DECA, and FBLA. Student projects are also excellent preparation for the National Personal Finance Challenge sponsored by the Council for Economic Education. Other applications are at your discretion.

12. **What are some suggested ways to use the supplied household financial profiles?**
While the AP-provided profiles were developed with the course framework and guides for implementation, you are encouraged to create your own that are more directly related to your community's demographics and market. The primary example provided with this guide, The Davis Family, is an ideal profile for a class example or reference and for use as the basis for any "I do" and "we do" activities.

SUPPORTIVE PROJECT GUIDE FOR TEACHERS

ACTIONS THAT HELP:

- Reminding students that financial advice is about reasoning and trade-offs, not producing a perfect plan but rather a plan that is meaningful and relevant to their clients
- Providing students with class time to work on the project
- Framing sensitive activities (like family interviews or personal reflections) as optional
- Asking students questions to promote deeper understanding and reflection on the process
- Inviting local financial advisors and/or banking professionals as guest lecturers (if permitted)
- Challenging students to test their assumptions for accuracy
- Encouraging role-play and authentic communication during advising sessions

ACTIONS THAT HINDER:

- Telling students there is only one correct solution for a household's financial plan
- Assuming students already know how to interpret financial documents or investment tools without guidance
- Requiring students to share private or family financial information
- Waiting until the culminating event to assess communication skills
- Rushing through multiday tasks without allowing students to reflect or practice applying skills
- Assuming your students have the same point of view, level of understanding, or economic status

Davis Family Financial Information

The Davis Family

Family members

Name	Age	Employment	Annual Gross Salary	Credit Score	Risk Tolerance
Yvonne	37	Registered nurse	$70,000	680	Low
Samuel	35	Construction worker	$38,000	590	Medium
Diana	14	Student	--	--	
Javier	12	Student	--	--	
Risa	6	Student	--	--	

Yvonne and Samuel Davis live in the outskirts of a midsized midwestern American city, where they both need cars to get to work. Yvonne has a college degree and works as a registered nurse at a local medical practice. Samuel has taken college courses but has not yet completed his two-year degree in construction management. He works in construction, typically building new single-family homes.

Their combined salaries in a typical year are $108,000, or $9,000 a month before taxes and other deductions.

Goals

The Davises feel fortunate to be earning $100,000+ a year, but with three children and little in savings or retirement funds, it never seems like enough. They want to save for college and retirement, and they are also considering buying a house to build equity.

Housing

The family moved from a three-bedroom suburban apartment to a four-bedroom rental house in the outskirts of the city after Risa was born, so that each child could have their own bedroom. They are now considering whether they can afford to buy a house in the area where they live. At the local bank, they were told they would qualify for a 5% interest rate on a 30-year loan, if they could make a 20% down payment. They are currently paying $2,500/month in rent. In their geographic area, four-bedroom homes in good condition generally cost $350,000–$400,000.

College

The Davises want all three of their children to have the opportunity to go to a two-year or four-year college, so that they will be able to get good-paying, reliable jobs with benefits, like the one Yvonne has. Yvonne paid for nursing school using loans and working part time; she has a balance of approximately $24,000 remaining on her loans, which cost her $450/month. The Davises know their children will need to take out some loans for college, but they want to contribute as much as they can, so their kids are not carrying debt as young adults.

Diana is a strong student and a volleyball player, and she has told her parents that she wants to go to a large university. Javier dreams of developing video games but says he does not want to go to a four-year college. Risa is in kindergarten; her parents no longer have to pay for daycare, but it's much too early to know her interests.

Retirement

The Davises have been so busy managing their jobs, bills, and the kids' schedules that they haven't given much thought to retirement. They know they want to retire someday, ideally when they are around 67, but it seems impossible that they could ever stop working and afford the same lifestyle they are used to. They will work as long as they can, but Samuel knows the day will eventually come when he can't physically manage construction work.

Employment

Yvonne works full time as a registered nurse, and she has been at the same professional practice for five years. Her work offers insurance benefits, and Yvonne has selected the most comprehensive health insurance plan with a low deductible, because of her own chronic health challenges and the children, who face occasional illnesses and injuries. Her contribution to the premium is $500/month, which is a pretax deduction from her paycheck.

Samuel works for a locally owned construction company, but his workload varies seasonally and in response to changes in the economy. Although his gross salary last year was $38,000, and he expects to earn the same this year, he cannot predict his future income with much certainty.

Yvonne's monthly net pay after taxes and deductions is $4,348. Samuel's monthly net pay after taxes and deductions is (on average) $2,897. Together, their **typical monthly net pay is $7,245**.

Yvonne's Pay Stub: Semi-monthly (twice per month)

Earnings	This Period*		Year to Date
Regular		$2,917.00	$29,170.00
	GROSS PAY	**$2,917.00**	**$29,170.00**
Deductions	**Statutory (required)**		
	Federal income Tax	$78.00	780.00
	Social Security Tax	$180.00	$1,800.00
	Medicare Tax	$40	$400.00
	State Income Tax	$60	$600.00
	Other (voluntary)		
	Medical	$250.00	$2,500.00
	Dental	$25.00	$250.00
	Vision	$10.00	$100.00
	HSA	$50.00	$500.00
	401(K)	$50.00	$500.00
	NET PAY	**$2,174.00**	**$21,740.00**

*For the period ending May 15th

Monthly Expenses

The Davises have a variety of fixed and variable expenses each month. When their youngest, Risa, started school last year, they no longer had to pay for daycare, so they bought a new car for Yvonne.

Fixed Expenses:

- Rent: **$2,500**
- Student loan payments: **$450**
- Car payments: **$1,200** ($750 for Yvonne's new car, $450 for Samuel's car)
- Car insurance: **$170**
- Average utilities: **$750** (heat, water, electricity, cable, internet)
- Cell phone plan: **$150** (four phones)

Variable Expenses:

- Groceries: **$1,000–$1,400**
- Clothing/Entertainment: **$100–$250**
- Credit card payments: **$50–$300** (depending on cash after other expenses are paid)

Giving

The Davises contribute to the First Responder Family Support charity in honor of Samuel's father, who was a volunteer firefighter. They try to give $25/month but sometimes are unable to afford it.

Savings

The Davises have $1,500 in a savings account and a balance of $500 in their joint checking account. They do not currently have a savings plan, but they add to their savings when they have a surplus at the end of the month.

Debt

The Davises have three outstanding bank loans.

Loan	Monthly Payment	Number of Payments Remaining	Remaining Balance	Interest Rate
Yvonne's student loan	$450	60	$24,434.58	4%
Yvonne's car loan	$750	36	$25,000	5%
Samuel's car loan	$450	8	$3,533.43	5%

In addition, they owe $2,800 on their credit card, which has an APR of 23%. The minimum monthly payment on this card each month is 2% of the balance owed.

Investments

Yvonne has $45,000 invested in her employer-sponsored 401(k), which is a pretax retirement savings account. She is very nervous about losing her money, so she selected a conservative bond fund, which has a 5% average annual rate of return. She currently contributes 2% of her pretax income to this fund, which is matched by her employer. Her employer is willing to match up to a 5% contribution, but Yvonne reduced her contributions after Risa was born to free up more money for current expenses.

Insurance

The Davises have a comprehensive, low-deductible health insurance plan through Yvonne's job. She pays $250/paycheck toward the premiums. The plan has a $500 individual deductible and $2,000 family deductible. Her employer also offers a high-deductible plan, which has a $2,000 individual deductible and $6,000 family deductible. If Yvonne chose the high-deductible plan, her employer would put $1,000 in a health savings account (HSA) for her family's use, and she could allocate up to $8,000 in additional pretax income toward the HSA. The high-deductible plan would cost her $200/month or $100/paycheck.

Yvonne has life insurance of $100,000 and long-term disability insurance, which would pay her about 60% of her current income until retirement if she were to become too injured or ill to work for an extended period. Samuel does not have life insurance or long-term disability insurance because he works primarily as a contract employee.

The Davises have full-coverage car insurance on both of their cars, which costs them $170/month. Their insurance meets all of their state's requirements for bodily injury and property damage and also includes optional coverage for theft and noncash events such as fire or flooding.

CREDIT CARD STATEMENT

Samuel Davis
114 Hickory Dr
Anytown, USA

Payment Due Date: 11/1/27
New Balance: $2,800.00
Minimum Payment: $56.00

Account Summary	
Account Number 4444 8888 1111 3333	
Previous Balance	$2,803.41
Payment Credits	$56.07
Purchases	$0
Cash Advances	$0
Balance Transfers	$0
Fees Charged	$0
Interest Charged	$52.66
New Balance	**$2,800.00**

Payment Information	
Payment Due Date	11/1/27
New Balance	$2,800.00
Minimum Payment	$56.00

Minimum Payment Warning: If you only make the minimum payment each period, it will take you much longer to pay off your balance and you will pay significantly more in interest charges.

Budget Planning Document

Use this document throughout the project to record data, observations, and recommendations. As you learn more, you may want to go back and revise the ideas you previously recorded.

Assignment 1: Meet Your Clients

1. List the household's stated financial goals in the table below, along with a brief description of each goal. (For example, if a goal is "college education for their children," describe the children and their ages and any additional information about what kind of college they want to attend, what they want to study, etc.) Add whether each goal is short term or long term and the approximate time horizon (how many years until the household wants or needs to reach it).

Household Financial Goals	Short Term or Long Term?	Approximate Time Horizon	Supporting Details from Financial Profile

2. Record your observations about your clients' household values and current financial behavior in three key words or phrases. (Consider their spending, saving, borrowing, and any charitable giving described in the profile.)

3. Identify any steps or actions the client household is currently taking, as described in the financial profile, to achieve its stated goals.

4. Identify any information in the clients' financial profile that indicates a barrier to the household achieving its financial goals.

5. On a scale of 1–5, where 1 is very low risk tolerance and 5 is very high risk tolerance, how would you rate this household's overall risk tolerance?

    a. Circle one: 1 2 3 4 5

    b. Briefly explain your rating using evidence from the profile (e.g., job stability, family responsibilities, current saving and investing choices, or insurance choices and stated risk tolerance).

6. Examine the pay stub provided and determine the reasons for the difference between an individual's gross pay and net pay.

   a. Describe how the voluntary deductions listed on the pay stub provide benefits to the household.

   b. In one sentence, explain how the Social Security and Medicare taxes on the pay stub might benefit the clients later in life.

   c. Describe the difference between your client household's gross pay and net pay (either annual or monthly) as indicated in the financial profile. Explain why net pay is important for planning a household budget.

7. Name one type of tax credit this household might qualify for (e.g., a child-related or education-related credit) and explain how that credit could affect their overall cash flow.

Assignment 1: Summary for Transfer to the Comprehensive Financial Plan

From this section, you should be able to describe:

- Who the clients are and what their main financial goals are (with time horizons)
- What the clients' values and priorities appear to be, including any charitable giving
- What actions the clients are already taking and what barriers the household faces
- The clients' approximate risk tolerance
- Key points about the clients' pay, deductions, and why net pay matters for budgeting

Assignment 2: Analyze Income and Spending

Part of your job as a financial advisor will be to make recommendations about how your clients' household can adjust spending behavior in ways that enhance their ability to reach their stated goals. First, it is important to assess their current spending behavior.

1. Using the household financial profile, identify each of the following:
   - Monthly net pay ______
   - Monthly fixed expenses ______
     - Fixed expenses: ____
   - Monthly variable expenses ______
     - Variable expenses: ____
   - Monthly charitable contributions ______
   - Monthly contributions to savings ______
2. Identify the fixed and variable expenses that are loan or credit card payments from the provided materials.
   - Fixed expenses:
   - Variable expenses:

   a. What is the household's current total debt? ___________

   b. What is the total amount the household is spending each month to repay debt? ___________
3. Research recommended guidelines for household spending within specific categories. What is the recommended maximum percentage of household income that should go to each of the following?
   - Housing (rent or mortgage) ______
   - Groceries ______
   - Transportation ______
4. Determine the percentage of net pay the client household is currently spending on housing, groceries, and transportation, and whether they stay within the recommended limits. You will need to reference the household's total monthly net pay (included in the household financial profile) for these calculations.

Category	Total Spending	Total Spending/Net Pay (calculate as a percentage)	Is spending within the recommended limit?
Housing			
Groceries			
Transportation			

5. Using the table in prompt 4 above, identify categories where the household's spending exceeds recommended limits. For each category that exceeds the recommended limit, identify whether the spending is fixed or variable.

Household Budget Template

Monthly Income			
INCOME		Current	Suggested
Monthly Net Pay (Earner #1)			
Monthly Net Pay (Earner #2)			
Total Monthly Income			
Monthly Expenses			
	EXPENSES	Current	Suggested
HOUSING	Rent or Mortgage		
	Other Housing (tax, insurance)		
FOOD	Groceries		
TRANSPORTATION	Car Payment 1		
	Car Payment 2		
	Car Insurance		
ADDITIONAL MONTHLY BILLS	Utilities		
	Cell Phone		
	(other)		
PERSONAL & HOUSEHOLD	Clothing/Entertainment		
	Charitable Donations		
SCHOOL	Student Loan Payments		
CREDIT CARD	Credit Card Payments		
SAVINGS	Contributions to Savings or Investment Accounts		
	Total Monthly Expenses		
	Monthly Surplus or Shortage		

6. In 2–3 sentences, summarize your assessment of the household's current financial position based on income and spending. Identify one strength (something they are doing well) and one concern (something that may hold them back from reaching their goals).

7. A net worth statement provides a complete picture of a client's financial status. This allows professional advisors to create realistic financial plans, from retirement strategies to saving for major life events, and establish sound next steps and updates to help clients meet their goals. Using the information in the household financial profile, complete the tables below.

   a. **Assets**
   (All bank accounts, all savings, all retirement accounts, and any owned property of value)

Asset	Amount/Value
Total Assets:	

   b. **Liabilities**
   (All outstanding debts, including car loans, student loans, credit cards, and other liabilities)

Liability	Amount Owed
Total Liabilities:	

   c. **Net Worth Calculation**
   Total Assets – Total Liabilities = **Net Worth:** _________

8. Using the household financial profile, identify and summarize the household's current investments and savings.

Account Type	Balance	Approx. Rate of Return (if provided)	Notes

Based on these accounts, how would you describe the household's overall investing approach? (For example, is it conservative, moderate, aggressive, irregular, minimal, or inconsistent? Support your professional judgment.)

9. Synthesis: What Does This Mean for Their Goals?
Using what you learned about the household's assets, debt, and savings/investment behavior, answer both questions below.
   a. What is one strength in the household's current financial position that may help them reach their goals?

   b. What is one concern or limitation that may make it harder for them to reach their goals?

Assignment 2: Summary for Transfer to the Comprehensive Financial Plan

From this section, you should be able to describe:

- The household's monthly net income and how it compares to their total fixed and variable expenses, including charitable giving and savings contributions
- The household's current debt load and monthly debt payments, and how these affect their available cash flow
- How the household's spending on housing, groceries, and transportation compares to recommended budgeting guidelines
- The household's total assets, total liabilities, and current net worth
- The household's savings and investment accounts, any known rates of return, and what this suggests about their overall investing approach (e.g., conservative, moderate, or aggressive)
- At least one strength in the household's current financial position and one concern or limitation that you will need to address in your recommendations

Assignment 3: Evaluate Insurance and Risk Management

As a financial advisor, you will help clients protect themselves against unexpected losses. In this assignment, you will evaluate your client household's current insurance coverage and risk exposure and identify at least one fraud prevention or consumer-protection strategy that fits their situation.

Use the household financial profile and any related project materials to respond to the prompts below.

1. Current Insurance Coverage

   List each type of insurance the household currently has. Include who or what is covered, the main coverage limits or features (if provided), and the monthly cost.

Type of Insurance	**Who/What Is Covered**	**Key Coverage Details (limits, deductible, key features)**	**Monthly Cost**

2. Adequacy of Coverage

   For each type of insurance listed above, rate how well you think the coverage fits the household's needs. Use a scale of 1–5, where 1 is significantly underinsured, 3 is adequate, and 5 is more coverage than they likely need.

Type of Insurance	**Adequacy Rating (1–5)**	**Why did you choose this rating? (Use evidence from the profile.)**

3. Gaps and Risks

   Based on the household financial profile and your tables above:

   a. Identify at least one gap where the household may be underinsured or missing a type of insurance that could be important. Potential gap(s) in coverage:

b. Identify at least one area where they may be paying for more coverage than they realistically need. Potential area(s) of unnecessary or excessive coverage:

4. Recommended Insurance Changes and Budget Impact

Recommend at least two specific changes to the household's insurance coverage. For each recommendation, explain both:

- How it changes their risk exposure (more protection or less)
- How it affects their monthly budget (increase, decrease, or no change)

Recommended Change	**Effect on Risk (how does this protect or expose the household?)**	**Effect on Monthly Budget (approx. $ change per month)**

5. Fraud and Consumer Protection

Households also face risks from fraud and predatory financial practices.

a. Identify two types of financial fraud or predatory practices that could realistically affect this household (e.g., phishing, identity theft, payday loans, or misleading credit offers).

b. For each type, describe at least one action the household can take to reduce their risk.

c. Choose one of your suggested actions and explain why it is especially important for this household, given their goals and current situation.

Assignment 3: Summary for Transfer to the Comprehensive Financial Plan

From this section, you should be able to describe:

- What types of insurance coverage the household currently has, who/what is covered, and how much it costs each month
- Where the household appears to be adequately insured, underinsured, or potentially overinsured, with brief explanations
- At least two specific insurance recommendations, including how each change would affect both their risk exposure and their monthly budget
- At least one fraud or consumer-protection strategy that is realistic and appropriate for this household and why it matters given their goals and situation

Assignment 4: Evaluate Investment, Saving, and Giving Strategies

Saving and investing are two key components of a household financial plan. Saving is about safety and liquidity as well as being prepared to meet short-term goals (like buying a new car) and handling emergencies (like illness or job loss). Investing is focused on building wealth over time to meet long-term goals, such as paying for postsecondary education, buying a house, and having income in retirement. In addition to typical savings vehicles, investments may include assets such as stocks, bonds, mutual funds, and a variety of specific retirement accounts.

Part of your job as a financial advisor will be to make recommendations about the clients' investments. First, it is important to assess their current savings and investments, as well as their time horizon and risk tolerance.

1. Calculate the household's total assets, including any bank accounts, money market accounts, home equity, and retirement funds, such as an IRA, a Roth IRA, a 401(k), or a 403(b).

2. Review the household's stated goals. Using the financial profile and online resources, develop a reasoned estimate of how much money the household would need to meet each of its stated goals. Note: You should develop your estimates based on assumptions (and some guesswork)—there is no single right answer.

   Education goal: ____________________ Source:______________________

   Housing goal: ______________________ Source:______________________

   Retirement goal: ____________________ Source:______________________

3. Based on the household financial profile, what is the clients' approximate time horizon for meeting each goal? Note: Assume retirement at age 67.

   Education goal: ____________________

   Housing goal: ____________________

   Retirement goal: ____________________

4. What are your initial observations about the clients' assets, goals, and time horizon?

Retirement Goal

5. Use a retirement calculator to estimate how much additional money the household would need to save and invest each month (the required monthly contribution) to acquire sufficient savings for retirement, based on your findings in prompt 2. Test different potential rates of return, such as 2%, 5%, and 10%, to see how they impact the required monthly contributions.

   Required monthly contribution at 2% return: ____________________

   Required monthly contribution at __% return: ____________________

   Required monthly contribution at __% return: ____________________

   Required monthly contribution at __% return: ____________________

6. Based on the risks, potential returns, and time horizon associated with various financial assets, and your clients' risk tolerance, identify and describe the financial vehicles/assets you would recommend to this client. Note: Consider increasing or decreasing contributions to any employer-sponsored plans identified in the household financial profile as well as how capital gains taxes might affect your recommendations to the client.

7. Identify the dollar amount you would recommend your clients save and invest each month to reach their retirement goal: ______________

Housing Goal

8. Use a mortgage calculator to determine the required down payment and monthly payment associated with achieving the clients' housing goal. Compare the monthly payment amount to the household's current spending on housing.

9. Based on your assessment of the clients' financial situation, do you recommend that the clients maintain their current housing or pursue their housing goal? Explain using data.

Education Goal

10. Identify four sources of funding a student or family can use to pay for postsecondary education in addition to using their savings.

    Source 1:____

    Source 2: ____

    Source 3: ____

    Source 4: ____

11. Based on your assessment of the clients' financial situation and the cost of meeting their education goal, what dollar amount do you recommend the clients save each month to put toward meeting this goal? Explain.

Charitable Giving Goal

12. Review the household's current charitable giving (amount, frequency, purpose).

    Recommend whether the household should maintain their giving at its current level, increase it, reduce it temporarily, or restructure it (e.g., one-time vs. recurring giving). Explain your reasoning using both household values and budget constraints.

Budget Impact

In the table, list the monthly dollar amount the household will need to save/invest to meet each goal, and calculate the total of your recommendations.

Goal	Amount
Monthly savings required to meet education goal	
Monthly cost to meet housing goal (in excess of current rent)	
Monthly savings required to meet retirement goal	
Monthly allocations for charitable giving	
Total Impact on Budget	

Assignment 4: Summary for Transfer to the Comprehensive Financial Plan

From this section, you should be able to describe in your comprehensive final plan:

- The estimated total cost of the household's education goal, the time horizon, multiple funding sources, and a recommended monthly savings amount and vehicle
- The projected monthly mortgage payment, upfront costs of buying a home, comparison to current rent, and a recommendation (buy now, buy later, or maintain current housing)
- The estimated retirement savings target, required monthly contributions under different rates of return, and a recommended investment approach
- A clear, values-aligned charitable giving recommendation consistent with the household's budget and long-term goals

Assignment 5: Culminating Synthesis – Recommended Actions and Budget Impact

Review your work from Assignments 1–4. Use your notes, calculations, and observations to identify the specific actions you recommend for this household.

Your goal in this section is to pull together all of your recommendations and determine how each one affects the household's monthly budget. This will help you revise the Household Budget Template and prepare for the Comprehensive Financial Plan.

1. Summary of Recommended Actions

   For each recommendation you plan to make—whether related to insurance, saving for education, housing costs, retirement contributions, charitable giving, spending adjustments, or debt repayment—record the following:

   - Your recommended action
   - A brief description or rationale
   - The estimated impact on your clients' monthly budget

   Use the table provided to organize your recommendations.

Recommended Action	**Description**	**Impact on Budget**
Buy renters' insurance	*The household doesn't have renters' insurance, which is inexpensive according to MoneyGeek.com and aligns with their goal of minimizing risk.*	*+ $25/month*

Recommended Action	Description	Impact on Budget

2. Additional Recommendations

   List any additional steps you believe the household should consider related to:

   - Pursuit of additional income
   - Use of credit
   - Repayment on debt
   - Spending behaviors
   - Other financial decisions that may strengthen their budget or support their long term goals

   These recommendations may not fit neatly into a category above, but they should reflect what you believe would help the household improve its financial stability.

Culminating Synthesis Summary

From this section, you should be able to describe in your comprehensive final plan:

- The full list of recommended actions you are advising the household to take, along with the budget implications of each
- Any additional recommendations related to income, credit use, debt repayment, or spending adjustments
- A mathematically consistent recommended monthly budget that incorporates all of your proposed changes and supports the household's long-term goals

Household Budget Template

Monthly Income			
INCOME		Current	Suggested
Monthly Net Pay (Earner #1)			
Monthly Net Pay (Earner #2)			
Total Monthly Income			
Monthly Expenses			
	EXPENSES	Current	Suggested
HOUSING	Rent or Mortgage		
	Other Housing (tax, insurance)		
FOOD	Groceries		
TRANSPORTATION	Car Payment 1		
	Car Payment 2		
	Car Insurance		
ADDITIONAL MONTHLY BILLS	Utilities		
	Cell Phone		
	(other)		
PERSONAL & HOUSEHOLD	Clothing/Entertainment		
	Charitable Donations		
SCHOOL	Student Loan Payments		
CREDIT CARD	Credit Card Payments		
SAVINGS	Contributions to Savings or Investment Accounts		
	Total Monthly Expenses		
	Monthly Surplus or Shortage		

Comprehensive Financial Plan Template

[Name of Household]

[Date]

Prepared by:

Confidential Financial Planning Document
(Prepared for educational purposes only)

Executive Summary

To: [Client/Household Name]

From: [Student's Name]

Date: [Date of Submission]

Subject: Client Household Financial Plan

[Compose a short paragraph summarizing what the client will find in this financial plan and the timeframe it covers. Briefly mention the household's main goals for education, housing, and retirement; the overall budgeting strategy; and the fact that the plan involves making trade-offs because not all goals can be fully funded at once. For example:

This document presents a comprehensive personal financial plan designed to optimize current income and expenditures, foster disciplined saving habits, and achieve both short-term and long-term financial objectives for the period of __________ to __________. The plan summarizes the client household's current financial position and outlines recommendations related to education, housing, retirement, insurance, debt management, and charitable giving. It highlights key trade-offs the household will need to make to align their monthly budget with their highest-priority goals.]

Client Profile

HOUSEHOLD OVERVIEW

- Household Members: ____
- Employment and Income Sources: ______________________________
- Family Considerations (children, dependents, special circumstances): ______________________________

FINANCIAL GOALS

[List the household's major short- and long-term goals, including time horizons.]

Goal	Category	Time Horizon	Supporting Details

VALUES AND PRIORITIES

[Describe key indicators of household financial values, including spending patterns, saving habits, and current charitable giving.]

RISK TOLERANCE

Overall Risk Tolerance Rating (on a scale of 1–5): _________

Rationale: ______________________________

Current Financial Position

INCOME AND CASH FLOW OVERVIEW

Monthly Net Income	
Monthly Fixed Expenses	
Monthly Variable Expenses	
Monthly Charitable Contributions	
Monthly Savings Contributions	
Monthly Surplus or Shortage	

Cash Flow Summary:

[Summarize how the household's income compares to its overall spending pattern; for example, whether spending is generally aligned with income, areas of concern, or signs of strain or surplus.]

EVALUATION OF SPENDING USING RECOMMENDED GUIDELINES

Category	Current Spending	% of Net Income	Is it within recommended guidelines?
Housing			
Groceries			
Transportation			

Spending Summary:

[Write a short interpretation of what these comparisons suggest about the household's spending behavior.]

DEBT AND REPAYMENT OVERVIEW

Debt Type	Outstanding Balance	Interest Rate	Payback Period (defined or undefined)	Monthly Payment (budget impact)
Total Debt				

Debt Summary:

[Write a summary of how debt and repayment factors may affect the household's ability to achieve its goals; for example, if they have high-interest debt, minimum payments, upcoming payoff dates.]

SAVING AND INVESTMENT BEHAVIOR

Account Type	Balance	Approx. Rate of Return	Notes

Investment Summary:

[Write a brief description of the household's overall investing approach (e.g., conservative, moderate, or aggressive), based on these accounts and behaviors]

NET WORTH STATEMENT

Assets	**Amount**
Total Assets	
Liabilities	**Amount**
Total Liabilities	
Net Worth (Total Assets – Total Liabilities)	

Net Worth Summary:

[Write a brief description of the household's current assets and liabilities and how these will impact retirement planning.]

Insurance and Risk Management Plan

CURRENT INSURANCE COVERAGE OVERVIEW

Type of Insurance	Who/What Is Covered	Key Coverage Details	Monthly Cost

Insurance Coverage Summary:

[Write a brief narrative summary of the household's insurance posture overall.]

Assessment of Coverage:

[Based on the household's needs, goals, and risk tolerance, identify your professional judgment of the clients' coverage.]

Rating: Adequate, Insufficient, Missing

INSURANCE RECOMMENDATIONS AND BUDGET IMPACT

Recommended Change	Effect on Risk	Estimated Monthly Budget Impact

Insurance Recommendation Summary:

[Explain specific adjustments to coverage that would better align with the household's needs and risk profile. For each recommendation, briefly explain how the change affects the household's exposure to risk and how the change affects their monthly budget.]

FRAUD AND CONSUMER PROTECTION STRATEGY

Recommended Strategy and Rationale:

[Include at least one actionable recommendation the household should adopt to protect itself along with the reason you're recommending it.]

Education Plan

EDUCATION GOAL OVERVIEW

[Summarize the household's education-related goals for their child or children. Include the type of education being considered and the expected timing.]

ESTIMATED COST AND TIME HORIZON

Student/Education Goal	Estimated Total Cost	Years Until Enrollment	Source Used for Estimate

Cost Rationale:

[Write a short explanation of how these estimates were determined.]

POTENTIAL FUNDING SOURCES

Funding Sources:

[Identify several possible sources of funding the household may use to support postsecondary education (e.g., savings, scholarships, grants, student loans, parent contributions, or work-study).]

RECOMMENDED MONTHLY SAVINGS AMOUNT

Recommended Monthly Contribution: ________________

Explanation:

[Recommend how much the household should save each month toward the education goal based on the estimated cost and time horizon. Use specific figures from your calculations.]

RECOMMENDED SAVING OR INVESTMENT VEHICLE

Recommended Vehicle and Rationale:

[Identify which type of account is most appropriate for this education goal (e.g., 529 plan, high-yield savings account, and/or CDs). Provide a brief rationale that connects the choice to the household's time horizon and risk tolerance.]

EDUCATION PLANNING SUMMARY

[Summarize how your recommended savings plan and funding approach will help the household progress toward its education goal, given their budget and priorities.]

Housing Plan

HOUSING GOAL OVERVIEW

[Summarize the household's housing goal (e.g., purchasing a first home, upsizing, or relocating) and the intended timeline.]

ESTIMATED HOME COST AND AFFORDABILITY ANALYSIS

Estimated Home Price	**Down Payment Required**	**Interest Rate**	**Estimated Monthly Payment (including Taxes and insurance)**	**Calculator/ Source Used**

COMPARISON TO CURRENT HOUSING COSTS

- Current Monthly Costs: __________________
- Projected Monthly Costs: __________________
- Difference: __________________

Affordability Summary:

[Write a brief interpretation of what this difference means for the household's budget and ability to pursue other goals.]

UPFRONT COSTS

[Identify the major upfront expenses associated with a potential home purchase that your clients may need to budget for, specifically the down payment and moving expenses.]

HOUSING RECOMMENDATION

[State whether you recommend pursuing the housing goal now, delaying it, or maintaining current housing. Support your recommendation with at least two numerical comparisons (e.g., percentage of net income and current savings vs. required upfront costs).]

HOUSING GOAL SUMMARY

[Summarize your overall conclusion and how it fits with the household's goals and financial capacity.]

Retirement and Charitable Giving Plan

RETIREMENT GOAL OVERVIEW

[Summarize the household's retirement goal, including the desired retirement age and any concerns or limitations noted in the household financial profile.]

RETIREMENT SAVINGS ESTIMATE AND CONTRIBUTION SCENARIOS

Rate of Return Scenario	Required Monthly Contribution
2%	
5%	
8%	
10%	

RECOMMENDED RETIREMENT CONTRIBUTION STRATEGY

Recommended Contribution: ________________________

Vehicle and Rationale:

[Identify your recommended monthly retirement contribution and the savings or investment vehicles that best fit the household's time horizon and risk tolerance.]

SOCIAL SECURITY RECOMMENDATION

Claiming Age Recommendation: ____________________

Rationale:

[Recommend an age for claiming Social Security benefits and provide a concise explanation referring to risk, expected longevity, and/or income needs.]

CHARITABLE GIVING RECOMMENDATION

[Review the household's current charitable giving. Recommend whether they should maintain, increase, decrease, or restructure their giving based on their stated values and their available budget after long-term saving decisions.]

RETIREMENT AND GIVING SUMMARY

[Summarize how your retirement and charitable giving recommendations support the household's long-term goals while balancing their current budget constraints.]

Final Recommended Budget

OVERVIEW

[Compose a brief explanation of how your recommended monthly budget aligns the household's income and spending with their highest-priority goals. Highlight the most important changes you made to the budget, why those changes were necessary, and how they will help the household make progress while staying financially stable. If any trade-offs were required, explain them concisely.]

MONTHLY BUDGET SUMMARY

[Expand the table or add subcategories as needed to reflect your clients' full budget.]

Category	Recommended Amount
Income (net monthly)	
Fixed Expenses	
Variable Expenses	
Insurance Premiums	
Charitable Giving	
Education Savings Contribution	
Retirement Savings Contribution	
Debt Payments	
Other Savings	
Remaining Surplus (or shortage)	

Budget Notes and Key Highlights:

[Include a brief explanation of notable changes from the household's current budget (e.g., reallocation of funds from discretionary spending to savings, changes in insurance premiums, impact of increased retirement contributions, and adjustments to charitable giving).]

BUDGET SUMMARY

[Describe how this budget supports the household's long-term goals and why it is realistic given their income and constraints.]

Debt Management Plan

STATUS QUO SUMMARY

[Write a brief description of the household's current repayment trajectory if they make only minimum payments. Examples may highlight estimated time to payoff, total interest paid, any near-term payoffs or expiring loans.]

RECOMMENDED DEBT MANAGEMENT PLAN

[Recommend one clear strategy for managing or accelerating debt repayment; for example, prioritizing highest-interest debt first (avalanche method), paying off smaller balances first for momentum (snowball method), and consolidating high-interest debt if appropriate.]

Recommended Action	Rationale	Estimated Monthly Impact

PROJECTED BENEFITS

[Summarize how your recommended debt strategy improves the household's financial flexibility. You may refer to reduction in total interest paid, earlier payoff of significant debts, freeing funds for education or retirement savings, etc.]

IMPACT AND RATIONALE

[Explain how your recommended debt strategy is likely to affect the household's financial stability, risk, and progress toward long-term goals, noting any important trade-offs.]

Financial Advisor Project Rubric

Rubric Row	Scoring Category	Skills	Scoring Criteria
A	Executive Summary	1.C 4.B	Students must complete the Executive Summary component of the Comprehensive Financial Plan.
B	Client Profile	1.A 1.B	Students must complete the Client Profile component of the Comprehensive Financial Plan, which includes the following elements: ▪ Household overview, including identification of household members, employment and income sources, and family considerations ▪ Description of key short- and long-term household financial goals ▪ Description of household values and priorities, including description of spending patterns, savings habits, and current charitable giving ▪ Description of household risk tolerance, including risk-tolerance rating and rationale
C	Current Financial Position	1.B 1.C 3.A 4.B	Students must complete the Current Financial Position component of the Comprehensive Financial Plan, which includes the following elements: ▪ Identification of current monthly net income, fixed and variable expenses, charitable contributions, savings contributions, and surplus/shortage, as well as a summary of household cash flow and areas of concern ▪ Evaluation of spending using recommended guidelines, including comparisons of key spending categories to guidelines and a summary of the household's current spending behavior ▪ Overview of current debt and repayment status, including identification of current balances, interest rates, payback periods, and monthly payments and a summary of how repayment may affect the household's ability to achieve its goals ▪ Description of savings and investment behavior, including account types, balances, approximate rates of return, and a summary of the household's approach to saving and investing ▪ Net worth statement, including assets and liabilities and a summary of how the household's current net worth may impact retirement planning
D	Insurance and Risk Management Plan	3.A 3.B 3.D	Students must complete the Insurance and Risk Management Plan component of the Comprehensive Financial Plan, which includes the following elements: ▪ Identification of current insurance types, coverage, and monthly cost; summary of current insurance coverage; and evaluation of adequacy of insurance coverage ▪ Insurance recommendation, including a description of each recommended change and its effect on both household risk and the household's monthly budget, and a summary of how changes will affect the household's risk exposure and budget ▪ Fraud and consumer protection recommendation, including at least one step the household should take and a rationale

Rubric Row	Scoring Category	Skills	Scoring Criteria
E	Education Plan	3.A 3.B 3.D	Students must complete the Education Plan component of the Comprehensive Financial Plan, which includes the following elements: ▪ Overview of the household's education-related goals, including identification of each type of educational plan being considered, the estimated total cost, and years until enrollment, as well as sources used to develop the cost estimates and a rationale of how they were developed ▪ Description of potential funding sources that could be used to achieve the household's education goal ▪ Monthly savings recommendation toward the education goal based on estimated cost and time horizon ▪ Description of the recommended saving or investment vehicle, including rationale ▪ Summary of how the savings plan and funding approach will help the household achieve progress toward its education goal
F	Housing Plan	3.A 3.B 3.D	Students must complete the Housing Plan component of the Comprehensive Financial Plan, which includes the following elements: ▪ Overview of the household's housing-related goal, including estimated home price, down payment required, interest rate, and estimated monthly payment, and the calculator or source used to develop the payment estimate ▪ Summary of findings and recommendation regarding the potential home purchase, including a comparison of current housing costs and estimated costs of buying ▪ Identification of additional upfront costs related to a potential home purchase ▪ Recommendation of whether to pursue or defer the housing goal, supported by at least two numerical comparisons ▪ Summary of overall housing recommendation and impact on household goals and financial capacity
G	Retirement and Charitable Giving Plan	3.A 3.B 3.D	Students must complete the Retirement and Charitable Giving Plan component of the Comprehensive Financial Plan, which includes the following elements: ▪ Overview of the household's retirement-related goal, including desired retirement age and any concerns or limitations ▪ Description of retirement savings estimates and contribution scenarios based on various potential rates of return on investments ▪ Monthly savings and investment recommendation toward the retirement goal based on the household's goal, time horizon, and risk tolerance ▪ Identification of the recommended Social Security retirement age and explanation related to risk, expected longevity, and/or income needs ▪ Monthly charitable giving recommendation based on the household's stated values and available funds after long-term saving and investment decisions ▪ Summary of overall retirement and charitable giving recommendations, including explanation of how recommendations support household goals and fit within budget constraints
H	Final Recommended Budget	4.A	Students must complete the Final Recommended Budget component of the Comprehensive Financial Plan, which includes the following elements: ▪ Overview of recommended budget changes and how the recommended budget aligns household income, spending, and saving behavior to highest-priority goals ▪ Monthly budget summary, including net income, expenses (including insurance premiums), charitable giving, specific contributions to education savings and retirement savings, debt payments, and other savings, as well as remaining surplus or shortage ▪ Explanation of notable recommended changes from the household's current budget and summary of how proposed budget supports the household's long-term goals and fits within the budget constraints

Rubric Row	Scoring Category	Skills	Scoring Criteria
I	Debt Management Plan	3.D	Students must complete the Debt Management Plan component of the Comprehensive Financial Plan, which includes the following elements: ▪ Status quo summary of the household's current repayment trajectory, including time to payoff, total interest paid, and any near-term payoffs or expiring loans ▪ Recommended debt-management plan, including at least one strategy for managing or accelerating debt repayment, including rationale and estimated monthly impact ▪ Summary of specific projected benefits of the recommended strategy, such as reduction in total interest paid ▪ Description of the impact of the recommended strategy on the household's financial stability, risk, and progress toward long-term goals, noting any important trade-offs.
J	Professional Presentation (Optional/Local)	4.B	Students deliver a 3–5 minute presentation summarizing their Comprehensive Financial Plan. Deliverables: Oral Presentation or Recorded Pitch (if required).

AP BUSINESS WITH
PERSONAL FINANCE

Exam Information

Exam Overview

The AP Business with Personal Finance Exam assesses student understanding of the skills and learning objectives outlined in the course framework. The exam is 2 hours and 40 minutes long and includes 60 multiple-choice questions and 4 free-response questions, one of which is an exam-day validation question about the student's Business Canvas Project. The details of the exam, including exam weighting and timing, can be found below:

Section	Question Type	Number of Questions	Exam Weighting	Timing
I	**Multiple-choice questions**	**60**	**60%**	**70 minutes**
II	**Free-response questions**	**4**	**40%**	**90 minutes**
IIA	Question 1: Business Canvas Project Exam-Day Validation	1	15%	25 minutes
IIB	Question 2: Personal Finance	1	5%	65 minutes
	Question 3: Business Concept Application	1	5%	
	Question 4: Business Decision	1	15%	

How Student Learning Is Assessed on the AP Exam

Section I: Multiple-Choice

The multiple-choice section of the AP Business with Personal Finance Exam includes set-based questions. Units 1–4 of the course are assessed with the following exam weighting:

Units of Instruction	Exam Weighting
Unit 1: Businesses, Competition, and New Ideas	20-30%
Unit 2: Marketing	20-30%
Unit 3 – Part 1: Personal Saving and Borrowing **Unit 3 – Part 2:** Business Finance and Accounting	25-35%
Unit 4: Management and Strategy	15-20%

These ranges are inclusive of 12–15 items assessing personal finance topics throughout Units 1–4, comprising 20–25% of exam weight.

Skill Categories 1–4 are assessed in the multiple-choice section of the AP Exam with the following exam weighting:

Skills	Exam Weighting
Skill 1: Concept Application	45–55%
Skill 2: Entrepreneurship	5–15%
Skill 3: Decision Making	25–35%
Skill 4: Communication	5–15%

Section II: Free-Response

The free-response section of the AP Exam includes four free-response questions, comprised of one Business Canvas Project Exam-Day Validation Question, one personal finance question, one business concept application question, and one business decision question. The free-response questions assess the content in Units 1–4 and Skill Categories 1–4.

Free-Response Question 1: Business Canvas Project Exam-Day Validation will present students with the opportunity to respond in writing to questions about the execution of their Business Canvas Project*. Students will be asked to pitch their product idea, explain how they used hypothesis testing to inform a decision**, and explain why a challenge that is frequently faced by entrepreneurs may represent a challenge to the viability of their product idea. Students will have 25 minutes to complete this question. Skill Categories 1, 2, and 4 are assessed.

Free-Response Question 2: Personal Finance will provide students with a scenario that describes a fictional individual's or household's financial situation, including quantitative data and goals, and will assess students' ability to interpret the data and explain how the individual or household could achieve their financial goals. The suggested time for this question is 12–13 minutes. Skill Categories 1 and 3 are assessed.

Free-Response Question 3: Business Concept Application will provide students with a scenario that describes a fictional business that is gathering evidence to inform strategic planning, and will assess students' ability to interpret business data and explain how the business could achieve its goals. The suggested time for this question is 12–13 minutes. Skill Category 1 is assessed.

Free-Response Question 4: Business Decision will provide students with a scenario that describes a fictional business facing an opportunity or problem. The situation requires the business to choose between two alternative courses of action, which are defined in the scenario in terms of their financial and nonfinancial implications. The question assesses students' ability to establish decision-making criteria and use them to compare the two courses of action, as well as students' ability to make and support a recommendation using reasoning and evidence from the scenario. It is recommended that students take approximately 40 minutes, including a 15-minute reading period, to complete this question. Skill Category 3 is assessed.

* See the Business Canvas Project Guide for a full description of the project requirements.
**See page 147 in the Business Canvas Project Guide for a list of project deliverables requiring hypothesis testing.

Task Verbs Used in Free-Response Questions

The following **task verbs** are commonly used in free-response questions:

Compare: Provide a description of similarities and/or differences.

Describe: Provide the relevant characteristics of a specific topic or concept.

Explain: Provide information about how or why a relationship, process, pattern, position, situation, or outcome occurs, using evidence and/or reasoning to support or qualify a claim.

- Explain "how" typically requires analyzing the relationship, process, pattern, position, situation, or outcome;
- Explain "why" typically requires analysis of motivations or reasons for the relationship, process, pattern, position, situation, or outcome.

Identify: Indicate or provide information about a specified topic, without elaboration or explanation.

Pitch: Describe the product, the target customer, the problem, need, or want the product is intended to address; and explain how the product creates value for customers.

Recommend: Articulate a course of action and support it with evidence.

Sample Exam Questions

The sample exam questions that follow illustrate the relationship between the course framework and the AP Business with Personal Finance Exam and serve as examples of the types of questions that appear on the exam. After the sample questions are tables that show which skill(s), learning objective(s), and essential knowledge statement(s) each question assesses. The multiple-choice question alignment table also provides answer keys to the questions.

Section I: Multiple-Choice Questions

The following are examples of the kinds of multiple-choice questions found on the exam.

Questions 1 through 4 refer to the following.

Edi's Electronics Shop is a retail store that sells electronic products to meet the computing needs of individual and business customers in its community. To serve its customers, Edi's carries two major product lines:

- devices such as smartphones, computers, and tablets
- accessories such as gaming headsets, large external monitors, and protective cases

Edi's requires sales staff to undergo extensive training so they can provide expert product guidance, which customers report as a key reason they continue to shop at Edi's.

Edi's uses the shop's sales data, findings from customer surveys, and market trends reported in industry publications to select the store's product inventory. Inventory is ordered from a large electronics wholesaler that also serves many of Edi's competitors.

With the goal of improving the business's viability, Edi's management recently conducted a SWOT analysis. This SWOT analysis was informed by a customer survey. Results from the survey are shown in Figures 1 and 2.

FIGURE 1. **Percent of Edi's Customers by Customer Type**

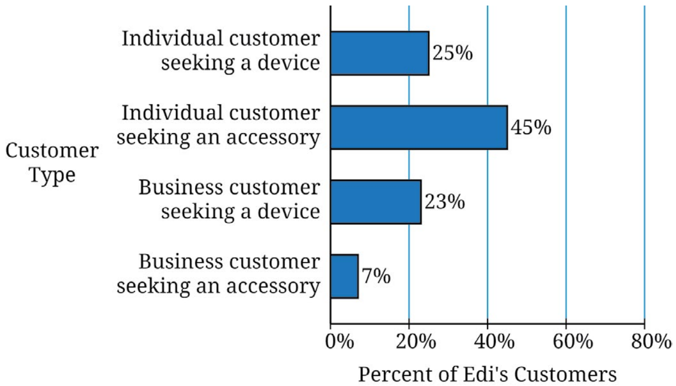
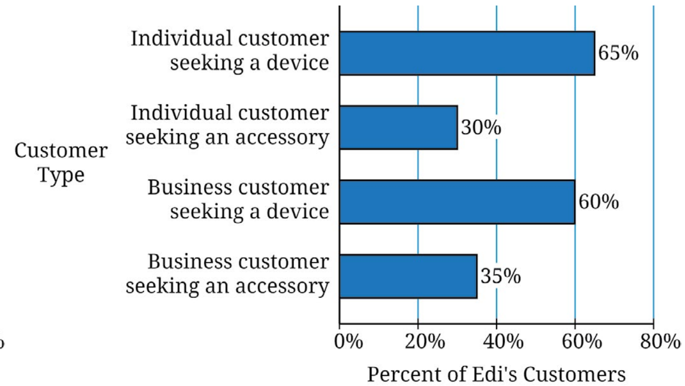


FIGURE 2. **Percent of Edi's Customers Responding "Yes" to the Question: "Does Edi's Carry the Product You Were Looking for Today?"**



1. Which of the following conclusions is supported by the data represented in the figures?
   (A) 25% of Edi's customers are individual customers.
   (B) 45% of Edi's customers are seeking an accessory.
   (C) 60% of Edi's business customers who are seeking a device find what they want.
   (D) 65% of Edi's individual customers who are seeking an accessory find what they want.

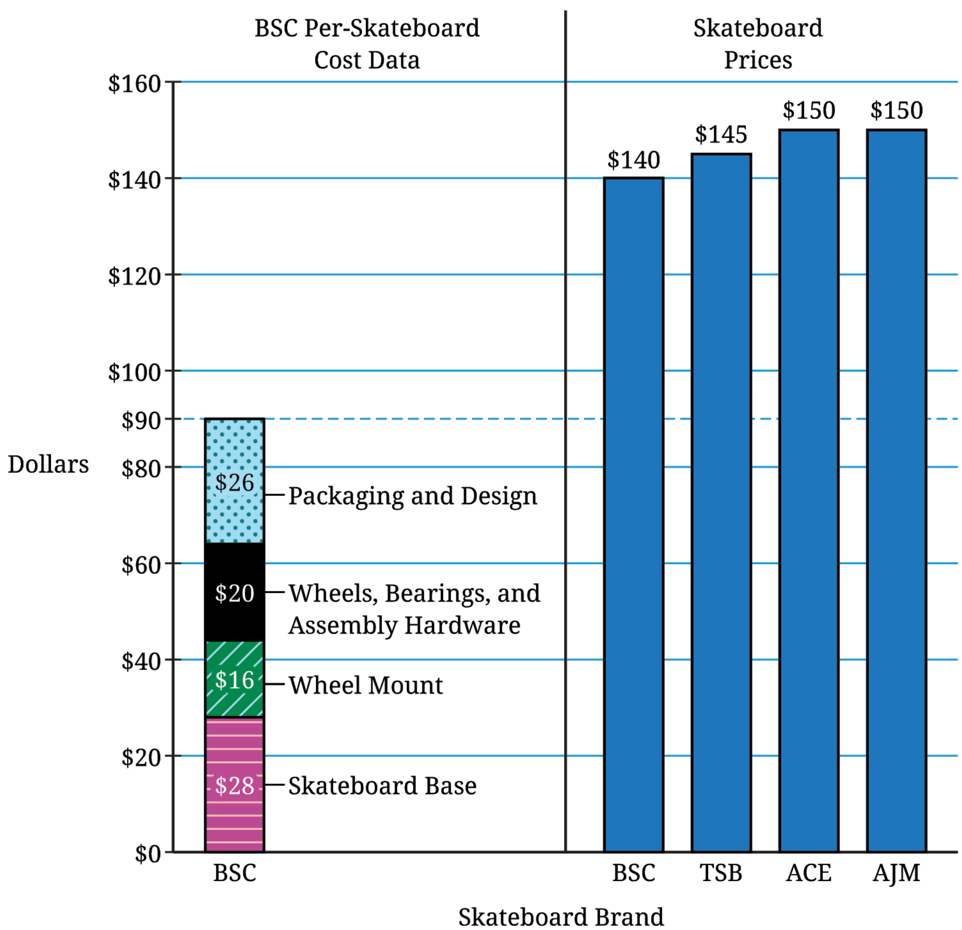
2. Which of the following statements best describes a market opportunity revealed by the results of the customer survey?
   (A) There is unmet customer demand for expert product knowledge among individual and business customers.
   (B) There is unmet customer demand for accessories among individual and business customers.
   (C) There are no electronic product wholesalers meeting business customer accessory needs.
   (D) There are no electronic product retailers meeting individual customer device needs.

3. Edi's SWOT analysis is most likely to reveal which of the following findings about the shop's viability?
   (A) It is improved by its focus on one major product line.
   (B) It is improved by its extensively trained and highly skilled employees.
   (C) It is reduced by Edi's use of primary- and secondary-source market research.
   (D) It is reduced by Edi's decision to use indirect distribution channels.

4. Which of the following criteria would Edi's be most likely to use when deciding which products to sell next year, given its business goal?
   (A) The shop's projected total annual sales
   (B) The shop's projected customer acquisition cost
   (C) The projected per-unit profit on each of the shop's products
   (D) The projected wholesale price of each of the shop's products

Questions 5 through 8 refer to the following.

Bridger Skate Company (BSC) is a skateboard manufacturing startup that is planning a market entry strategy using the data in the figure. BSC manufactures the skateboard base and then assembles the finished product using inputs such as wheels, wheel mounts, bearings, and assembly hardware. These inputs are supplied exclusively to BSC by manufacturers known for producing the highest-quality skateboard inputs. BSC believes its boards will outperform all rivals in terms of quality, but to grow market share quickly, its initial price of $140 will be lower than the price it plans to use once its market share goal is achieved.



5. Which of the following pricing strategies is BSC most likely to use when it enters the market, given its initial price and goal?
   (A) Price gouging
   (B) Price collusion
   (C) Penetration pricing
   (D) Cost-based pricing

6. Which of the following conclusions is supported by the data in the figure?
   (A) The per-unit cost of a BSC skateboard is $60 less than the per-unit cost of an ACE skateboard.
   (B) The per-unit cost of a BSC skateboard is $5 less than the per-unit cost of a TSB skateboard.
   (C) At its initial price, BSC will generate revenue of $90 per skateboard.
   (D) At its initial price, BSC will earn a profit of $50 per skateboard.

7. Which of the following BSC departments most likely generated the market research data on rivals' prices shown in the figure?
   (A) The finance department
   (B) The operations department
   (C) The human resources department
   (D) The sales and marketing department

8. Which of the following best explains why BSC would enter into exclusive supplier agreements with makers of high-quality skateboard inputs?
   (A) To change its ownership structure to a partnership
   (B) To increase customer switching costs in the market
   (C) To strengthen its position as a monopoly in the industry
   (D) To achieve competitive advantage by creating a barrier to entry

Questions 9 through 12 refer to the following.

Chemical Distributors is a United States–based wholesale distributor that sells and delivers chemicals to industrial clients around the globe. Each year this publicly held corporation prepares financial statements—including a comparative income statement like the one shown in the figure—for internal and external stakeholders.

Chemical Distributors, Inc. Comparative Income Statement (in thousands of dollars)	2021	2022
1. Revenue	$ 100,000	$ 120,000
2. Cost of Goods Sold	$ (50,000)	$ (54,000)
3. Gross Profit	$ 50,000	$ 66,000
4. Operating Expenses	$ (35,000)	$ (40,000)
5. Line 5	$ 15,000	$ 26,000
6. Taxes	$ (2,000)	$ (8,000)
7. Line 7	$ 13,000	$ 18,000

9. Which income statement category does Line 7 in the figure represent?
   (A) Operating profit
   (B) Retained earnings
   (C) Net profit
   (D) Interest expense

10. According to the data in the figure, what was the business's gross profit margin in 2021?
    (A) 13%
    (B) 15%
    (C) 26%
    (D) 50%

11. An investor would most likely feel confident in the accuracy of this income statement for which of the following reasons?
    (A) When a business operates globally, financial managers have no incentive to falsify financial statements.
    (B) When a business is owned by shareholders, financial statements are produced by managerial accountants.
    (C) United States government regulations require corporations to have their financial statements reviewed by independent auditors.
    (D) United States government regulations require wholesalers to develop codes of conduct to prevent falsified financial statements.

12. Which of the following most likely explains the increase in operating expenses from 2021 to 2022?
    (A) The business paid dividends to its shareholders.
    (B) The business hired additional sales and marketing staff.
    (C) The business received a subsidy from the government.
    (D) The business paid lower rent on its office space.

Questions 13 through 16 refer to the following.

Job Posting: Entry-Level Farmworker

About Us: Green Acres Wheat Farm is a family-owned operation located in the Sunny River Valley. For five generations, the Bailey family has been committed to producing high-quality wheat flour for local restaurants and regional food producers and remains dedicated to maintaining soil health and the quality of its crops.

Job Responsibilities:

- Assist with planting, cultivating, harvesting, and milling of wheat
- Operate and maintain farm machinery and equipment
- Perform general farm maintenance tasks, including fencing, irrigation, and repairs

Required Qualifications:

- Basic knowledge of farming practices and machinery operation
- Strong work ethic and willingness to learn
- Ability to work independently and as part of a team

Wage: $15 per hour

Employee Benefits:

- Health insurance coverage
- Paid time off (PTO) and holidays
- On-the-job training and opportunities for skill development
- Employee discounts on farm produce
- Flexible work hours and scheduling

13. Which of the following core competencies would be most valuable for an individual pursuing an entry-level farmworker position at Green Acres Wheat Farm?
    (A) Training skills
    (B) Mechanical skills
    (C) Financial management skills
    (D) Marketing and sales skills

14. Which of the following best explains why Green Acres Wheat Farm provides on-the-job training for employees in the entry-level farmworker role?
    (A) To prevent them from making mistakes that may lead to flawed products and increased costs
    (B) To prevent them from choosing traditional advertising tools that may damage the farm's reputation
    (C) To prevent them from purchasing unnecessary production inputs that may result in higher direct costs
    (D) To prevent them from using cheaper resource suppliers that may result in a loss of competitive advantage

15. Based on the job description, which of the following statements best describes a tactic Green Acres Wheat Farm uses to motivate and retain its entry-level farmworkers?
    (A) It compensates them with bonuses.
    (B) It provides them with piece rate pay.
    (C) It offers them flexible work hours and scheduling.
    (D) It promotes the five-generation history of the business.

16. Which of the following applicants is Green Acres Wheat Farm most likely to hire, given the required qualifications listed in the job description?
    (A) Applicant 1, whose work history includes part-time work designing and hand painting T-shirts sold at local farmer's markets
    (B) Applicant 2, whose work history includes part-time work as a server at a restaurant that features local produce on its menu
    (C) Applicant 3, whose work history includes summer work on a neighbor's farm, helping with corn harvesting and fence maintenance
    (D) Applicant 4, whose work history includes summer work at their family's accounting firm, entering financial data into spreadsheets

Section IIA: Business Canvas Project Exam-Day Validation Question

The following is an example of the kind of exam day validation question found on the exam.

Question 1: Business Canvas Project Exam-Day Validation

(A) **Pitch** your Business Canvas Project product.

In your response you should include the following:

- a brief description of your product
- your target customer profile
- the problem, need, or want your product is intended to address
- how or why your product creates value for customers

(B) Businesses typically formulate and test hypotheses related to pricing strategies.

Describe one reason a business would use a cost-based pricing strategy.

(C) **Explain** how you tested a hypothesis about your pricing strategy in your Business Canvas Project.

In your response you should include the following:

- your hypothesis
- a research method you used
- the evidence you collected
- how the evidence shaped your decision making

(D) Access to external financial capital may be a problem for entrepreneurs with a new idea.

i. **Describe** a purpose of external financial capital in business.

ii. **Explain** why access to external financial capital does or does not represent a challenge to the viability of your Business Canvas Project product idea. Your response should include evidence that supports your explanation.

Section IIB: Free-Response Questions

The following are examples of the kinds of free-response questions found on the exam.

Question 2: Personal Finance

Throughout college, Audrey was careful with the money she earned as a restaurant server. After college, she was hired as a marketing associate at an annual salary of $68,000. With a combination of her savings and borrowing, Audrey purchased a two-year-old car, moved into and furnished a new apartment, and bought professional clothes.

Now, each month after Audrey pays her planned expenses, including her car and student loan payments, she has $785 left over that she can put toward debt repayment and savings. She wants to pay off all her debts as quickly as possible.

Audrey also wants to start saving for retirement and take full advantage of the retirement savings program offered by her employer, for which she is now eligible. For every 1% of her salary that Audrey saves through this program, her monthly net pay will decrease by about $50, but her retirement savings will increase by $113, due to reduced taxes plus the employer contribution. If she contributes 10% of her salary, her employer's matching contribution would be worth $6,800 in additional savings a year.

A list of Audrey's assets and liabilities is shown in the figure.

Audrey's Assets and Liabilities

Assets	Market Value/ Account Balance as of June 30
Two-year-old car	$ 35,000
Furniture	$ 2,000
Savings account balance	$ 2,300
Individual retirement account balance	$ 0
Liabilities	
Student loan balance (5.9% interest rate)	$ 50,000
Car loan balance (4.5% interest rate)	$ 30,000
Credit card balance (18.9% interest rate)	$ 2,500
Furniture store credit card balance (23% interest rate)	$ 5,000

2. Respond to parts A, B, and C.

Audrey has come to you, a financial advisor, for guidance regarding her financial situation.

(A) Using data from the scenario, **identify** a difference between Audrey's total assets and her total liabilities.

(B) **Describe** a financial challenge or opportunity indicated in the scenario that is currently impacting Audrey's ability to achieve her financial goals.

(C) **Explain** how a specific action taken by Audrey could help her achieve one of her financial goals.

Question 3: Business Concept Application

CableFusion—a large media company that produces movies, TV shows, and news programs—wants to enter the streaming-service market. Streaming services allow customers to watch content on demand, over the internet. Subscribers to CableFusion Plus, the company's streaming-service product, will have full access to all of CableFusion's movies, TV shows, and news for one monthly fee.

The streaming-service market is characterized by intense competition among five major companies, with the top three controlling 86% of market share, by revenue. Although their streaming services are very similar, VistaFlix has a vast collection of movies, OrbioTV features live TV shows, and Vistify is known for its great customer service.

CableFusion's marketing and finance executives have been tasked with developing a competitive advantage strategy to attract customers and gain market share for the new product. They consulted websites and publications on the streaming-service industry and reviewed publicly available financial statements of the five existing streaming services. Figure 1 shows the market share, by revenue, for each potential rival. Figure 2 shows the monthly subscription fee for basic service (with ads) and premium service (no ads) for each potential rival.

FIGURE 1. Streaming-Service Market Share, by Revenue

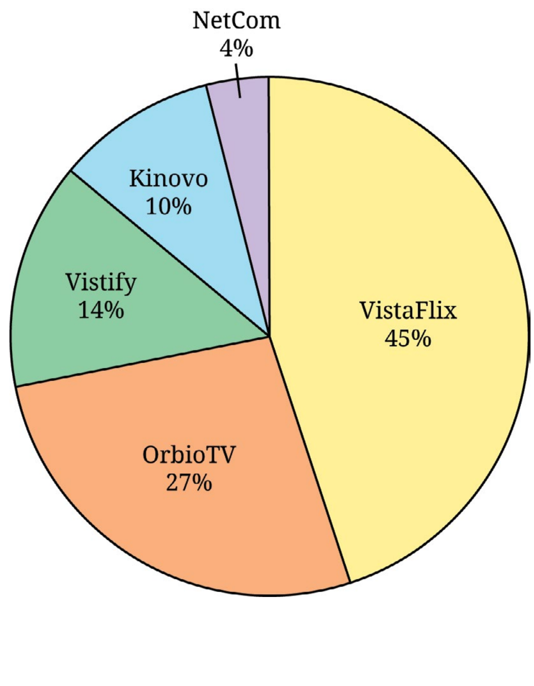
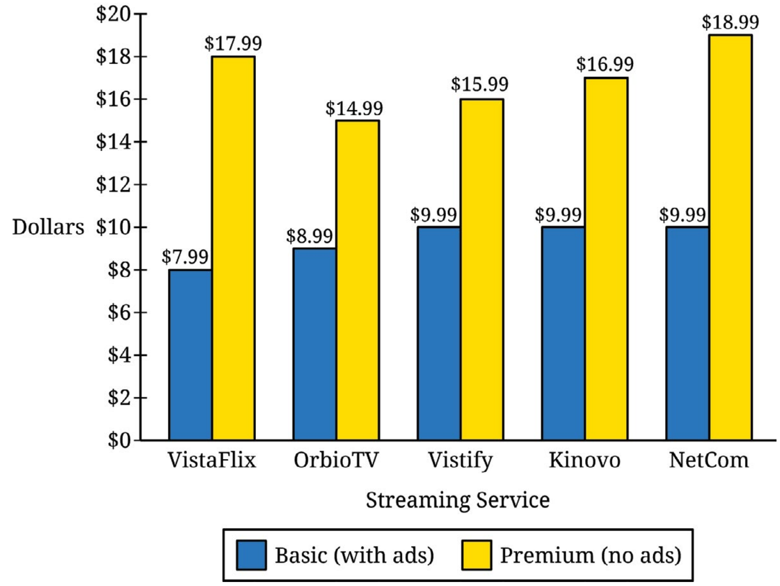


FIGURE 2. **Monthly Subscription Fees for Basic and Premium Services**



3. Respond to parts A, B, and C.

   (A) **Describe** a market research method CableFusion executives employed to gather the information represented in the scenario.

   (B) **Describe** a finding revealed by the research.

   (C) **Explain** how CableFusion could use a finding from the research to achieve a business goal.

Question 4: Business Decision

You have been retained as a consultant to help the business described in the scenario decide between two alternative courses of action.

Background

Heritage Textiles (HT) is a small carpet manufacturer in Whittsville, Georgia. The current CEO is HT's owner, Catherine Whitt, who has deep family connections to Whittsville. Local legend says that her great-grandmother handwove the first cotton carpet produced in Whittsville in the late 1800s. Whitt's grandfather founded HT in 1920, and the business has operated in Whittsville for over 100 years.

Five years ago, HT began the search for a new location. Its existing production plant and operations facility was near capacity with no room to expand, and residents in a new housing development nearby had begun to complain that microscopic textile particles from HT's production process were being released into the air and causing respiratory problems. HT surveyed its employees and asked what they would do if HT moved to a location more than 35 miles from Whittsville. Of HT's 120 employees, 20% (24/120) said they would move with the company or commute, and 80% (96/120) said they would look for a new job.

The survey results indicated HT's new facility should be located in the Whittsville area. However, Dalton, Georgia—a town located 45 miles from Whittsville—was also considered because of its role in HT's supply chain. HT relies on the dyes and other carpet inputs produced in Dalton as well as the many textile warehouses there, which HT uses to store its inventory. HT's sizeable transportation costs would be nearly eliminated if the company relocated to Dalton. With over 150 carpet plants, numerous textile input suppliers, and a well-developed carpet and textile distribution network, Dalton—known as the "Carpet Capital of the World"—was an attractive option.

When a recession hit, the search for a new site was abandoned. The economic downturn led to three years of declining sales for HT and the closing or bankruptcy of many of HT's direct competitors—other niche carpet producers that served the southeastern United States. Recently, however, HT's performance has improved. Sales are up 15% this year and total sales hit the $5 million mark for the first time. As production has rebounded, so have complaints from HT's neighbors.

With no room to expand and a deteriorating relationship with the community, HT is once again in search of a new facility. According to Whitt, a 20,000-square-foot facility would increase production capacity by 50%. Whitt projects that orders for HT carpets will increase by an additional 25% over the next two years and that demand will remain at the level for at least another five years.

Whitt wonders if employees' willingness to relocate, as expressed in the survey results five years ago, might have changed since the recession. Nevertheless, her family connections to Whittsville, the highly skilled and loyal workers who produce HT's cotton-weave carpets, and the business's long history in the community make the prospect of leaving difficult. After a comprehensive search, Whitt has narrowed the relocation options to the following two courses of action.

Whittsville Proposal—New Facility in Whittsville

The first relocation option is to build a new 25,000-square-foot facility on the outskirts of Whittsville, four miles north of HT's current plant. The property is zoned for industrial use and is big enough to allow HT to custom build a facility to house its production and office operations. The construction estimate guarantees the facility will be ready for operation in 18 months.

Dalton Proposal—Renovated Facility in Dalton

The second relocation option is a 30,000-square-foot facility in Dalton that was formerly an auto parts plant. The facility was professionally inspected and found to be in good condition. A rough estimate of the cost to renovate the plant into a carpet-manufacturing facility, prepared by a construction contractor after a site visit, also guarantees an 18-month construction timeline.

Financial Analysis

Whitt has prepared summaries to capture the financial implications of each relocation option (Figures 1 and 2). Her projections reveal that the increased production and sales associated with a bigger facility will increase HT's profits and generate an annual return on investment (ROI) of 20% for the Whittsville option or 25% for the Dalton option. HT has $700,000 in cash to contribute to the one-time relocation costs, which means the business would need to secure a loan or issue stock to raise additional financial capital. To fund the remaining relocation costs, HT would need to raise an additional $1,300,000 if it chose the Whittsville proposal and an additional $1,900,000 if it chose the Dalton proposal.

Heritage Textiles Statement of Profit and Loss Current year ended December 31 **and** Projections for Year 1 at a new plant in Whittsville or renovated plant in Dalton			
	Current Year Existing Plant	**Whittsville Proposal**	**Dalton Proposal**
Sales Revenue	$ 5,000,000	$ 6,250,000	$ 6,250,000
Cost of Goods Sold			
Resource costs: natural, human, and physical	$ 4,000,000	$ 4,800,000	$ 4,800,000
Transportation costs	$ 200,000	$ 250,000	$ 0
Total Cost of Goods Sold (COGS)	$ (4,200,000)	$ (5,050,000)	$ (4,800,000)
Gross Profit	$ 800,000	$ 1,200,000	$ 1,450,000
Operating Expenses	$ (500,000)	$ (500,000)	$ (500,000)
Net Profit before interest and taxes	$ 300,000	$ 700,000	$ 950,000

Projected increase in sales revenue (both locations) = 25%
Projected increase in resource costs (both locations) = 20%
Projected increase in transportation costs (Whittsville only) = 25%

Heritage Textiles **One-Time Relocation Costs**		
	Whittsville Proposal	**Dalton Proposal**
One-Time Costs		
Land	$ 550,000	$ 1,250,000
Plant construction	$ 1,000,000	$ 0
Building improvements on existing plant	$ 0	$ 610,000
Legal fees	$ 35,000	$ 35,000
New equipment purchase for increased production	$ 370,000	$ 370,000
Cost of relocating existing production and operations equipment	$ 45,000	$ 90,000
Severance pay for employees who leave HT due to move	$ 0	$ 175,000
Cost of recruiting and training new employees	$ 0	$ 70,000
Total One-Time Costs	**$ 2,000,000**	**$ 2,600,000**

4. Respond to Parts A, B, and C.
   (A) Heritage Textiles is a small carpet manufacturer that has a decision to make. Like all businesses, Heritage Textiles is affected by internal, market, and external factors that have an impact on its ability to achieve its goals.
      i. **Describe** an internal, a market, or an external factor indicated in the scenario that affects Heritage Textiles.
      ii. **Explain** how the factor you selected in part A (i) creates an opportunity or a problem for Heritage Textiles.

(B) There are several financial and nonfinancial criteria that can be used to compare the Whittsville and Dalton proposals.

i. Using projected annual return on investment as a criterion, **describe** a difference or similarity between the two courses of action. Include specific evidence related to each course of action in your response.

ii. Using one additional financial criterion relevant to the decision, **describe** a difference or similarity between the two courses of action. Include specific evidence related to each course of action in your response.

iii. Using one nonfinancial criterion relevant to the decision, **describe** a difference or similarity between the two courses of action. Include specific evidence related to each course of action in your response.

(C) Recommend a course of action for Heritage Textiles.

In your response you should do the following:

- **Recommend** one of the two courses of action in the scenario.
- **Explain** why you recommend that course of action.
- **Support** your recommendation using any three specific criteria, which may include the specific financial and nonfinancial criteria from part B or other specific financial and nonfinancial criteria. Include evidence from the scenario related to each criterion you use.

Answer Key and Question Alignment to Course Framework

Multiple-Choice Question	Answer	Skill	Learning Objective	Essential Knowledge
1	C	1.B	2.3.D*	2.3.D.3*
2	B	2.A	2.3.B	2.3.B.1
3	B	2.C	4.4.D	4.4.D.1
4	C	3.C	4.3.B	4.3.B.3
5	C	1.B	2.5.A	2.5.A.6
6	D	1.B	2.5.A	2.5.A.5
7	D	1.A	1.7.D	1.7.D.1
8	D	1.C	1.8.C	1.8.C.3
9	C	1.A	3.6.A	3.6.A.9
10	D	1.B	3.6.B	3.6.B.2
11	C	1.C	3.9.B	3.9.B.2
12	B	1.B	3.6.A	3.6.A.5
13	B	1.A	1.5.A	1.5.A.5
14	A	1.C	4.1.C	4.1.C.3
15	C	1.C	4.1.D	4.1.D.5
16	C	3.C	4.1.C	4.1.C.2

*Skills-focused question. The Learning Objective and Essential Knowledge correspond to the content presented in the scenario.

Free-Response Question	Question Type	Skills	Learning Objectives
1	Business Canvas Project Exam-Day Validation Question	1.A, 1.C, 2.B, 2.C, 4.B	1.1.A, 1.1.B, 1.4.C, 2.1.B, 2.3.B, 2.3.C, 2.5.A, 2.7.A, 3.5.A, 3.5.D, 4.3.B
2	Personal Finance Question	1.B, 3.A, 3.B	3.1.A, 3.1.B, 3.1.C, 3.7.C, 4.1.D
3	Business Concept Application Question	1.A, 1.B, 1.C	1.2.B, 1.7.D, 2.3.B, 2.3.D, 2.4.A, 2.5.A
4	Business Decision Question	3.A, 3.C, 3.D	4.3.B, 4.4.C, 4.4.D

AP BUSINESS WITH PERSONAL FINANCE

Scoring Guidelines

Question 1: Business Canvas Project Exam-Day Validation — 10 points

(A) **Pitch** your Business Canvas Project product.

In your response you should include the following:

- a brief description of your product
- your target customer profile
- the problem, need, or want your product is intended to address
- how or why your product creates value for customers

(B) Businesses typically formulate and test hypotheses related to pricing strategies.

Describe one reason a business would use a cost-based pricing strategy.

(C) **Explain** how you tested a hypothesis about your pricing strategy in your Business Canvas Project.

In your response you should include the following:

- your hypothesis
- a research method you used
- the evidence you collected
- how the evidence shaped your decision making

(D) Access to external financial capital may be a problem for entrepreneurs with a new idea.

i. **Describe** a purpose of external financial capital in business.

ii. **Explain** why access to external financial capital does or does not represent a challenge to the viability of your Business Canvas Project product idea. Your response should include evidence that supports your explanation.

Scoring Guidelines for Question 1: Business Canvas Project Exam-Day Validation — 10 points

Reporting Category	Scoring Criteria	
Part A **Pitch: Target Customer** **(0–1 points)** **Row 1**	**0 points** Does not include a target customer profile.	**1 point** Includes a target customer profile.
	Decision Rules and Scoring Notes	
	Responses that do not earn this point: ▪ Provide no response to the prompt. ▪ Provide no specific demographic or psychographic characteristics to define the customer the product is intended to serve.	**Responses that earn this point:** ▪ Provide at least one specific demographic or psychographic characteristic to define the customer the product is intended to serve.
	Examples that do not earn this point: **Provide no specific demographic or psychographic characteristics** ▪ "Glowra is a portable LED desk lamp with adjustable color settings that makes studying easier for everyone at any time of the day or night." ▪ "Do you want to try a crunchy granola-cluster snack packed with protein and chocolate for a sweet long-lasting energy boost? Try NutriCrisp."	**Examples that earn this point:** ▪ "I created an app that helps high school and college students keep track of homework assignments." ▪ "My business is a lawn care business that provides mowing, leaf-blowing, and trimming services for anyone in my neighborhood with a yard who wants to keep it looking nice."

<table>
<tr><th>Reporting Category</th><th colspan="2">Scoring Criteria</th></tr>
<tr><td rowspan="4">Part A
Pitch: Market Opportunity
(0–1 points)
Row 2</td><td>0 points
Does not include the problem, need, or want the product is intended to address.</td><td>1 point
Includes the problem, need, or want the product is intended to address.</td></tr>
<tr><td colspan="2">Decision Rules and Scoring Notes</td></tr>
<tr><td>Responses that do not earn this point:
Provide no response to the prompt.
Provide a reference to the product or to the intended customer, rather than to the problem, need, or want the product is intended to address.</td><td>Responses that earn this point:
Provide a reference to the specific customer problem, need, or want the product is intended to address.</td></tr>
<tr><td>Examples that do not earn this point:
Refer only to the product or the customer
“Our new electric bikes have longer-lasting batteries than all others.”
“My product is a personalized phone case for every cell phone user who wants a cell phone case.”</td><td>Examples that earn this point:
“My product is for people who want to express their personalities.”
“Over 60% of students surveyed said they had forgotten at least one assignment in the past month, and almost half agreed or strongly agreed with the statement, ‘an easy-to-use homework tracking app would help me improve my time management skills.’”</td></tr>
</table>

Reporting Category	Scoring Criteria	
Part A **Pitch: Value Creation** **(0–1 points)** **Row 3**	**0 points** Does not include an explanation of how or why the described product creates value for customers.	**1 point** Includes an explanation of how or why the described product creates value for customers.
	Decision Rules and Scoring Notes	
	Responses that do not earn this point: ▪ Provide no response to the prompt. ▪ Provide no description of the product. ▪ Provide a description of the product without explaining how it addresses a customer problem, need, or want.	**Responses that earn this point:** ▪ Provide a description of the product and an explanation of how or why it creates value by addressing a customer problem, need, or want.
	Examples that do not earn this point: **Provide no description of the product** ▪ "Our service is reliable and known for being a great value to customers." ▪ "With the help of a food scientist and a nutritionist we developed a sweet, protein-rich combination of healthy ingredients." **Describe the product without explaining how it creates value for customers** ▪ "Our new electric bikes are powered by the latest battery technology." ▪ "My personalized phone cases are very popular with my target customers."	**Examples that earn this point:** ▪ "Our customers wanted a great-tasting snack with no added sugar, which NutriCrisp—a handy, no mess, granola and chocolate snack treat—provides because the ingredients are all natural and do not contain added sugar." ▪ "Our unique, flexible design and multicolored LED bulbs meet customers' needs for more comfortable reading light in any environment." ▪ "We're the only local babysitting service with 100% of our babysitters CPR and emergency first aid certified, which addresses the desire for safety-trained, child-care providers among our target customers."

Reporting Category	Scoring Criteria	
Part B **Business Reason** **(0–1 points)** **Row 4**	**0 points** Does not describe a reason a business would use a cost-based pricing strategy.	**1 point** Describes one reason a business would use a cost-based pricing strategy.
	Decision Rules and Scoring Notes	
	Responses that do not earn this point: ▪ Provide no response to the prompt. ▪ Provide a definition or description of cost-based pricing rather than a specific reason a business would use cost-based pricing. ▪ Provide a description of a general business goal or objective, rather than a specific reason for developing a cost-based pricing strategy.	**Responses that earn this point:** ▪ Provide a description of a specific reason a business would use a cost-based pricing strategy: ◆ To achieve a desired per-unit profit or gross profit margin ◆ To justify their price by illustrating to customers how much it costs to produce their product ◆ To generate predictable profit or profit margins
	Examples that do not earn this point: **Provide only a definition or description** ▪ "When businesses use cost-based pricing, they set the price above the per-unit cost by a set amount." ▪ "Businesses develop a cost-based pricing strategy because they have clearly defined costs that can be communicated to customers." **Provide only a general goal or objective** ▪ "Business develop cost-based pricing when they want to increase their profits." ▪ "One reason a business would develop a cost-based pricing strategy is to determine how much to charge for its product."	**Examples that earn this point:** ▪ "A business may use cost-based pricing to achieve a desired gross profit margin." ▪ "A business might use cost-based pricing when it wants to earn as much profit as possible but doesn't have the customer information needed to use a value-based pricing strategy, or the market information needed to use penetration pricing or a competitive pricing strategy." ▪ "A business might use cost-based pricing when it has clearly defined per-unit costs that can be clearly communicated to customers, so they can see how much of the price is profit for the business and how much goes to producing the product." ▪ "One reason a business would use a cost-based pricing strategy is to earn a set amount of profit on each product sold, which would be the difference between the price and the per-unit cost."

<table>
<tr><th>Reporting Category</th><th colspan="2">Scoring Criteria</th></tr>
<tr><td rowspan="4">Part C
Hypothesis
(0–1 points)
Row 5</td><td>0 points
Does not include the hypothesis that was tested.</td><td>1 point
Includes the hypothesis that was tested.</td></tr>
<tr><td colspan="2">Decision Rules and Scoring Notes</td></tr>
<tr><td>Responses that do not earn this point:
▪ Provide no response to the prompt.
▪ Provide no reference to a question or statement of assumption related to a specific pricing strategy for the product.
▪ Provide a hypothesis that is unrelated to the pricing strategy for the product.</td><td>Responses that earn this point:
▪ Provide a reference to the pricing-strategy hypothesis that was tested.</td></tr>
<tr><td>Examples that do not earn this point:
Provide no reference to a statement of assumption
▪ “What are the prices charged by my competitors?”
▪ “I offered my phone cases at four different price points.”
Provide a hypothesis unrelated to a specific pricing strategy
▪ “If we set the right price, we will maximize revenue and profit.”</td><td>Examples that earn this point:
▪ “My initial hypothesis was that if I charge a price of $25.00 per lamp,
I will sell 10 lamps per month.”
▪ “I tested my assumption that customers would be willing to pay more for customizable phone cases than for generic phone cases.”
▪ “The hypothesis we tested was, ‘If we use cost-based pricing, will we be able to attract customers away from competitors?’”</td></tr>
</table>

<table>
<tr><th>Reporting Category</th><th colspan="2">Scoring Criteria</th></tr>
<tr><td rowspan="5">Part C
Research Method
(0–1 points)
Row 6</td><td>0 points
Does not include a research method used.</td><td>1 point
Includes a research method used.</td></tr>
<tr><td colspan="2">Decision Rules and Scoring Notes</td></tr>
<tr><td>Responses that do not earn this point:
▪ Provide no response to the prompt.
▪ Provide a description of evidence without naming a research method.</td><td>Responses that earn this point:
▪ Include a specific primary-source research method, such as A/B testing, customer interviews, surveys or focus groups, experiments, or observations.
▪ Include a specific secondary-source research method, such as market research collected from industry-specific or market research websites, government publications, academic sources, or industry publications.</td></tr>
<tr><td>Examples that do not earn this point:
Describe evidence without naming a research method
▪ “I learned that 75% of 300 customers were willing to pay $0.25.”</td><td>Examples that earn this point:
▪ “We surveyed 300 students.”
▪ “I A/B tested websites with two different prices—on one website the product price was $20.00 and on the other website the product price was $19.99.”</td></tr>
<tr><td colspan="2">Additional Notes:
▪ Students do not need to classify or categorize their research method as primary source or secondary source to earn this point.</td></tr>
</table>

<table>
<tr><th>Reporting Category</th><th colspan="2">Scoring Criteria</th></tr>
<tr><td rowspan="4">Part C
Evidence
(0–1 points)
Row 7</td><td>0 points
Does not include the evidence collected.</td><td>1 point
Includes the evidence collected.</td></tr>
<tr><th colspan="2">Decision Rules and Scoring Notes</th></tr>
<tr><td>Responses that do not earn this point:
▪ Provide no response to the prompt.
▪ Provide no reference to a specific finding or piece of evidence related to the pricing-strategy hypothesis that was tested.</td><td>Responses that earn this point:
▪ Provide a reference to at least one specific finding or piece of evidence collected during pricing-strategy hypothesis testing.</td></tr>
<tr><td>Examples that do not earn this point:
Provide no reference to a market research finding or piece of evidence
▪ “People liked our product when we changed it.”
▪ “We can acquire the raw ingredients for $1.65 per snack cluster and sell them for $2.50 apiece.”</td><td>Examples that earn this point:
▪ “More people would buy my product at the lower price than at the higher price.”
▪ “We learned that 75% of 300 customers were willing to pay $0.25.”
▪ “On average, target customers were willing to pay $14.99 for a multicolored LED adjustable desk lamp.”
▪ “At a price of $20.00 per customized phone case, 3% of website visitors purchased a phone case. On the website where the price was $19.99, 6% of website visitors purchased a phone case.”</td></tr>
</table>

<table>
<tr><th>Reporting Category</th><th colspan="2">Scoring Criteria</th></tr>
<tr><td rowspan="4">Part C
Decision Making
(0–1 points)
Row 8</td><td>0 points
Does not explain how the evidence collected shaped decision making.</td><td>1 point
Explains how the evidence collected shaped decision making.</td></tr>
<tr><td colspan="2">Decision Rules and Scoring Notes</td></tr>
<tr><td>Responses that do not earn this point:
Provide no response to the prompt.
Provide a description that lacks a specific decision that was made.
Provide a description that does not reference the evidence that informed the decision.</td><td>Responses that earn this point:
Provide an explanation of how the evidence collected through pricing-strategy hypothesis testing influenced a decision by describing a specific decision that was made and the evidence that informed the decision.</td></tr>
<tr><td>Examples that do not earn this point:
Provide a description without a specific decision
“We learned that 57% of drivers were willing to pay $20.00 for a device that could be inserted between the driver’s seat and the center console to catch dropped items.”
“The results of my hypothesis testing proved that cost-based pricing would attract enough customers to be profitable.”
Provide a description that does not reference evidence
“Because of what we learned during hypothesis testing, we decided to charge 10% less than the least expensive competitor.”</td><td>Examples that earn this point:
“I decided to price my customizable phone cases at $19.99 instead of $20.00 each because twice as many customers bought a phone case from the website where the price was $19.99 than from the website where the price was $0.01 more.”
“We discovered during hypothesis testing that the market share held by competitors with above-average prices was very small (less than 5% each), and that 80% of the market share was held by the four competitors who charged similar prices, so we decided to go with a competitive pricing strategy.”</td></tr>
</table>

<table>
<tr><th>Reporting Category</th><th colspan="2">Scoring Criteria</th></tr>
<tr><td rowspan="4">Part D
Concept Description
(0–1 points)
Row 9</td><td>0 points
Does not describe a purpose of external financial capital in business.</td><td>1 point
Describes a purpose of external financial capital in business.</td></tr>
<tr><td colspan="2">Decision Rules and Scoring Notes</td></tr>
<tr><td>Responses that do not earn this point:
▪ Provide no response to the prompt.
▪ Provide a description, definition, or example of sources of external financial capital, rather than describing a purpose of external financial capital.
▪ Provide a description of a purpose of internal financial capital.
▪ Provide an incomplete or inaccurate description of a purpose of external financial capital.</td><td>Responses that earn this point:
▪ Provide an accurate description of at least one purpose of external financial capital:
◆ To be a source of funding for entrepreneurs and startups
◆ To be a source of funding for new and established businesses for product development, the purchase of fixed assets, or expanding the size of a business
◆ To be a source of working capital</td></tr>
<tr><td>Examples that do not earn this point:
Provide a description, definition, or example of sources of external financial capital
▪ “A bank loan is a source of external financial capital available to a business.”
Provide a description of a purpose of internal financial capital
▪ “Businesses use bootstrapping to fund startups.”
Provide an incomplete or inaccurate description
▪ “Businesses often seek to borrow money from banks and other lenders, which must be repaid with interest.”</td><td>Examples that earn this point:
▪ “Businesses use external financial capital when they don’t have enough funds available to achieve a goal, such as launching a new product.”
▪ “New businesses often seek external financial capital, in the form of loans or equity funding, to acquire the equipment and raw materials needed to produce a product prior to generating revenue through sales.”
▪ “Businesses often seek external financial capital from lenders and investors when they want to grow their business and don’t have enough cash on hand to fund the expansion.”
▪ “External financial capital is one way for businesses to pay startup costs if the founders do not have enough of their own money.”</td></tr>
</table>

<table>
<tr><th>Reporting Category</th><th colspan="2">Scoring Criteria</th></tr>
<tr><td rowspan="4">Part D
Challenge to Viability
(0–1 points)
Row 10</td><td>0 points
Does not explain whether access to external financial capital represents a challenge to the viability of the product idea.</td><td>1 point
Explains why access to external financial capital does or does not represent a challenge to the viability of the product idea.</td></tr>
<tr><td colspan="2">Decision Rules and Scoring Notes</td></tr>
<tr><td>Responses that do not earn this point:
▪ Provide no response to the prompt.
▪ Provide no reason as to why access to financial capital does or does not represent a challenge to the viability of the product idea.
▪ Provide no evidence to support the reason why access to financial capital does or does not represent a challenge to the viability of the product idea.</td><td>Responses that earn this point:
▪ Provide an explanation as to why access to external financial capital does represent a challenge to the viability of the product idea using reasoning and evidence.
▪ Provide an explanation as to why access to external financial capital does not represent a challenge to the viability of the product idea using reasoning and evidence.</td></tr>
<tr><td>Examples that do not earn this point:
Provide no reason as to why it does or doesn’t represent a challenge
▪ “Access to external financial capital represents a challenge to the viability of our product idea.”
Provide a reason without evidence
▪ “Our product doesn’t cost a lot to produce so we don’t need external funding.”
▪ “I would need $100,000 to get my business off the ground and know I’d be able to secure it without any trouble.”
▪ “We’re not planning to launch this business, so we don’t need external funding.”
▪ We anticipate difficulties because our startup costs exceed our internal financial capital.”</td><td>Examples that earn this point:
▪ “I can produce an initial inventory using cheap and readily available resources, like cotton fabric and Velcro, that I can afford myself. I can use the profits from the sales of my initial inventory to fund more production; therefore I do not need a bank loan or investors, so access to external financial capital is not a challenge to the viability of my business.”
▪ “Our startup costs, which include a minimum input order of 10,000 units, greatly exceed the amount of financial capital that we have, and we can’t get a loan because we have no credit history, so access to external financial capital represents a challenge to the viability of our business.”
▪ “We needed $10,000 to make our first order of flexible desk lamps with LED bulbs, and we only had $1,000 in funds and no one would lend to us because we’re high school students. We might have been able to raise money from friends and family, but we didn’t want to start the business given our other responsibilities.”
▪ “I sold beaded bracelets that only cost $1 apiece to produce, so I didn’t need to access significant external financial capital to produce and sell 200 bracelets at my current scale because I was able to bootstrap the $200.”</td></tr>
</table>

Question 2: Personal Finance — 3 points

Throughout college, Audrey was careful with the money she earned as a restaurant server. After college, she was hired as a marketing associate at an annual salary of $68,000. With a combination of her savings and borrowing, Audrey purchased a two-year-old car, moved into and furnished a new apartment, and bought professional clothes.

Now, each month after Audrey pays her planned expenses, including her car and student loan payments, she has $785 left over that she can put toward debt repayment and savings. She wants to pay off all her debts as quickly as possible.

Audrey also wants to start saving for retirement and take full advantage of the retirement savings program offered by her employer, for which she is now eligible. For every 1% of her salary that Audrey saves through this program, her monthly net pay will decrease by about $50, but her retirement savings will increase by $113, due to reduced taxes plus the employer contribution. If she contributes 10% of her salary, her employer's matching contribution would be worth $6,800 in additional savings a year.

A list of Audrey's assets and liabilities is shown in the figure.

Audrey's Assets and Liabilities

Assets	Market Value/ Account Balance as of June 30	
Two-year-old car	$	35,000
Furniture	$	2,000
Savings account balance	$	2,300
Individual retirement account balance	$	0
Liabilities		
Student loan balance (5.9% interest rate)	$	50,000
Car loan balance (4.5% interest rate)	$	30,000
Credit card balance (18.9% interest rate)	$	2,500
Furniture store credit card balance (23% interest rate)	$	5,000

Audrey has come to you, a financial advisor, for guidance regarding her financial situation.

(A) Using data from the scenario, **identify** a difference between Audrey's total assets and her total liabilities.

(B) **Describe** a financial challenge or opportunity indicated in the scenario that is currently impacting Audrey's ability to achieve her financial goals.

(C) **Explain** how a specific action taken by Audrey could help her achieve one of her financial goals.

Scoring Guidelines for Question 2: Personal Finance — 3 points

(A) Using data from the scenario, **identify** a difference between Audrey's total assets and her total liabilities. **1 point**

Examples that earn this point include the following:

- $48,200.
- The difference between $87,500 and $39,300 is $48,200.
- Audrey's total liabilities of $87,500 are greater than her total assets of $39,300.
- The difference between Audrey's total liabilities and her total assets is $48,200.
- Audrey's total liabilities, comprised of a student loan balance of $50,000, a car loan balance of $30,000, and $7,500 worth of credit card debt, are greater than Audrey's total assets, comprised of her 2-year-old car that's worth $35,000, some furniture worth $2,000, and a savings account balance of $2,300.

(B) **Describe** a financial challenge or opportunity indicated in the scenario that is currently impacting Audrey's ability to achieve her financial goals. **1 point**

Examples that earn this point include the following:

- Audrey doesn't have enough savings to pay off her loans all at once, and the more she saves each month the longer it will take her to pay off her loans.
- Audrey's net worth is negative, which means she owes more than she's worth and has made no progress toward her retirement goal.
- Audrey has the opportunity to save 10% of her salary each year and maximize her employer contribution for a total of $13,600 in savings a year. Audrey does not currently have enough room in her budget to take full advantage of her employer savings plan and pay off her debt as quickly as possible.

(C) **Explain** how a specific action taken by Audrey could help her achieve one of her financial goals. **1 point**

Examples that earn this point include the following:

- If Audrey contributes a part of each paycheck to her retirement plan, she can start building her retirement savings, because her employer-sponsored retirement plan is a form of a savings account.
- If Audrey spends $785 a month to pay off her various loans, she can pay off her debt as quickly as possible because her loan balances are her debts.
- Audrey can contribute 10% of her salary to her retirement plan, which would allow her to earn all of the employer matching contribution and reduce her paycheck by $500 a month. That still leaves her $285 a month to pay toward her debt, which would help her achieve both of her goals: saving for retirement and paying off her debts.
- Audrey can use her extra monthly income—up to $785 per month—to pay off her credit cards more quickly, which would cut the highest interest rate debt out of her budget and allow her to start saving more. She has $7,500 worth of credit card debt ($2,500 on one card and $5,000 on a furniture store card) and a monthly budget surplus of $785, so she could have those two high-interest rate loans paid off in less than a year.
- Audrey has enough of a budget surplus to be able to achieve both goals if she is willing to accept a slower start to retirement savings and a slightly longer time to pay off her debts. For example, she could spend $485 per month to pay off the two credit cards and save $300 a month (a 6% savings contribution).

Question 3: Business Concept Application — 3 points

CableFusion—a large media company that produces movies, TV shows, and news programs—wants to enter the streaming-service market. Streaming services allow customers to watch content on demand, over the internet. Subscribers to CableFusion Plus, the company's streaming-service product, will have full access to all of CableFusion's movies, TV shows, and news for one monthly fee.

The streaming-service market is characterized by intense competition among five major companies, with the top three controlling 86% of market share, by revenue. Although their streaming services are very similar, VistaFlix has a vast collection of movies, OrbioTV features live TV shows, and Vistify is known for its great customer service.

CableFusion's marketing and finance executives have been tasked with developing a competitive advantage strategy to attract customers and gain market share for the new product. They consulted websites and publications on the streaming-service industry and reviewed publicly available financial statements of the five existing streaming services. Figure 1 shows the market share, by revenue, for each potential rival. Figure 2 shows the monthly subscription fee for basic service (with ads) and premium service (no ads) for each potential rival.

(A) **Describe** a market research method CableFusion executives employed to gather the information represented in the scenario.

(B) **Describe** a finding revealed by the research.

(C) **Explain** how CableFusion could use a finding from the research to achieve a business goal.

FIGURE 1. Streaming-Service Market Share, by Revenue

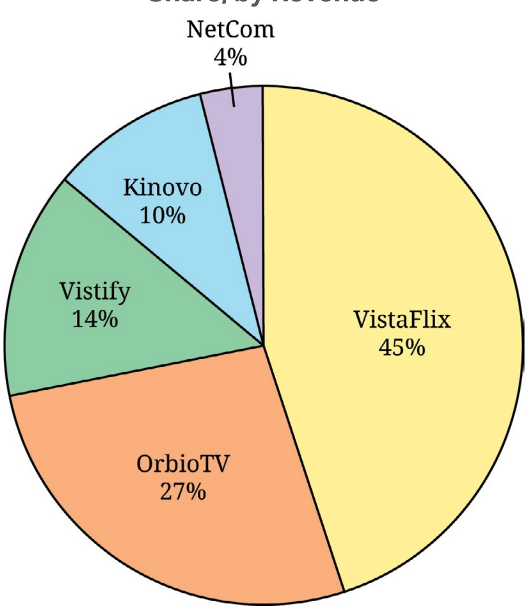
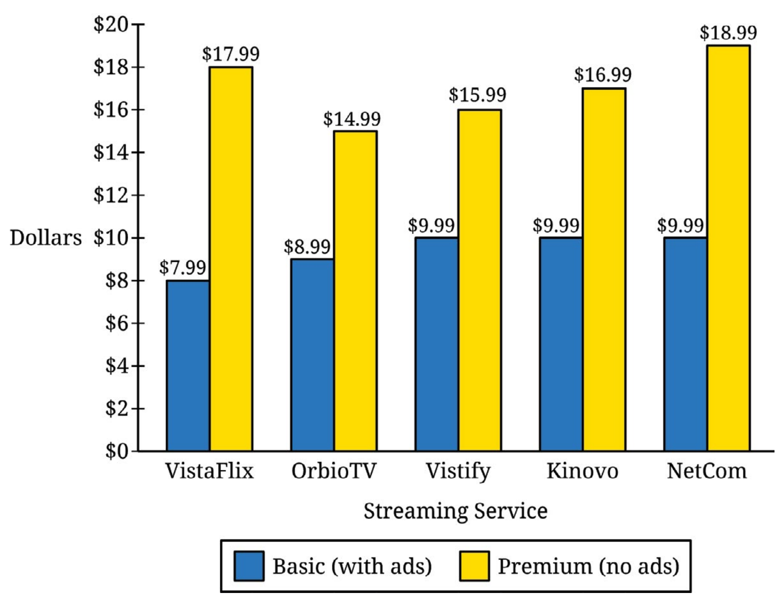


FIGURE 2. Monthly Subscription Fees for Basic and Premium Services



Scoring Guidelines for Question 3: Business Concept Application — 3 points

(A) **Describe** a market research method CableFusion executives employed to gather the information represented in the scenario. **1 point**

Examples that earn this point include the following:

- They gathered market share data and pricing information from external sources.
- They conducted secondary-source market research by gathering information about the streaming-service market landscape.
- CableFusion conducted secondary-source research, which involves gathering information from external sources.
- CableFusion executives consulted external sources, such as websites and publications on the streaming-service industry.
- CableFusion executives collected detailed information about rival businesses to assess the market landscape, which includes learning market share and pricing information about its potential rivals in the streaming-service market.
- They consulted websites and publications on the streaming-service industry and reviewed publicly available financial statements of the five existing streaming services, which is secondary-source market research.

(B) **Describe** a finding revealed by the research. **1 point**

Examples that earn this point include the following:

- VistaFlix has the largest share of the streaming-service market, with 45% of subscription-fee revenue.
- The biggest players in the streaming-service market are VistaFlix, OrbioTV, and Vistify, with market share by revenue of 45%, 27%, and 14%, respectively.
- NetCom charges the highest monthly subscription fees for its premium service, at $18.99 per month.
- The major players in the streaming-service industry use competitive pricing for their basic services, with three companies charging $9.99 per month and the other two charging $8.99 (OrbioTV) and $7.99 (VistaFlix)
- The company with the largest market share, VistaFlix, charges the lowest monthly subscription fee for its basic service at $7.99/month.

(C)	**Explain** how CableFusion could use a finding from the research to achieve a business goal. **Examples that earn this point include the following:** ▪ CableFusion can use the findings on rival prices to develop a pricing strategy that will attract customers away from rivals, which will help increase its market share. ▪ CableFusion could use the finding that NetCom has the lowest market share to focus its marketing efforts on attracting customers away from the other three streaming-service companies. ▪ CableFusion could use the finding that VistaFlix has the biggest market share and its understanding of VistaFlix's product (a vast content library) to develop a competitive advantage strategy that positions CableFusion content against VistaFlix content with the hope of attracting customers away from VistaFlix to gain market share. ▪ CableFusion could use the findings related to rival prices to develop a pricing strategy, such as penetration pricing, which would allow the business to achieve competitive advantage through its low prices, which is a strategy that businesses use to attract customers and gain market share. ▪ CableFusion can use the finding that NetCom charges the most and has the smallest market share by revenue to determine that it should not charge a high fee because it would probably not be competitive with the existing businesses in this market, thus preventing it from achieving competitive advantage. ▪ Now that CableFusion has learned about the market landscape using secondary-source market research, it can use its findings related to how the products are differentiated (e.g., VistaFlix's vast content library and Vistify's great customer service) to engage in primary-source research with its target customer and to develop a product positioning strategy that will allow it to achieve competitive advantage through marketing, which would allow it to attract customers and gain market share. ▪ CableFusion has determined the market share for each existing company, and the prices for basic and premium services. It can use these findings to develop a messaging strategy to communicate to potential customers how CableFusion streaming services are different from other services in terms of pricing and product features, which can help it attract customers. ▪ CableFusion can use the finding that the two most popular streaming services, VistaFlix and OrbioTV, have the lowest "with ads" pricing, to determine that it could use penetration pricing to enter the market with an even lower "with ads" price, while setting its premium price higher. This would help it quickly capture market share among users willing to have ads on their streaming service and achieve competitive advantage through low prices.	**1 point**

Question 4: Business Decision — 8 points

You have been retained as a consultant to help the business described in the scenario decide between two alternative courses of action.

Background

Heritage Textiles (HT) is a small carpet manufacturer in Whittsville, Georgia. The current CEO is HT's owner, Catherine Whitt, who has deep family connections to Whittsville. Local legend says that her great-grandmother handwove the first cotton carpet produced in Whittsville in the late 1800s. Whitt's grandfather founded HT in 1920, and the business has operated in Whittsville for over 100 years.

Five years ago, HT began the search for a new location. Its existing production plant and operations facility was near capacity with no room to expand, and residents in a new housing development nearby had begun to complain that microscopic textile particles from HT's production process were being released into the air and causing respiratory problems. HT surveyed its employees and asked what they would do if HT moved to a location more than 35 miles from Whittsville. Of HT's 120 employees, 20% (24/120) said they would move with the company or commute, and 80% (96/120) said they would look for a new job.

The survey results indicated HT's new facility should be located in the Whittsville area. However, Dalton, Georgia—a town located 45 miles from Whittsville—was also considered because of its role in HT's supply chain. HT relies on the dyes and other carpet inputs produced in Dalton as well as the many textile warehouses there, which HT uses to store its inventory. HT's sizeable transportation costs would be nearly eliminated if the company relocated to Dalton. With over 150 carpet plants, numerous textile input suppliers, and a well-developed carpet and textile distribution network, Dalton—known as the "Carpet Capital of the World"—was an attractive option.

When a recession hit, the search for a new site was abandoned. The economic downturn led to three years of declining sales for HT and the closing or bankruptcy of many of HT's direct competitors—other niche carpet producers that served the southeastern United States. Recently, however, HT's performance has improved. Sales are up 15% this year and total sales hit the $5 million mark for the first time. As production has rebounded, so have complaints from HT's neighbors.

With no room to expand and a deteriorating relationship with the community, HT is once again in search of a new facility. According to Whitt, a 20,000-square-foot facility would increase production capacity by 50%. Whitt projects that orders for HT carpets will increase by an additional 25% over the next two years and that demand will remain at the level for at least another five years.

Whitt wonders if employees' willingness to relocate, as expressed in the survey results five years ago, might have changed since the recession. Nevertheless, her family connections to Whittsville, the highly skilled and loyal workers who produce HT's cotton-weave carpets, and the business's long history in the community make the prospect of leaving difficult. After a comprehensive search, Whitt has narrowed the relocation options to the following two courses of action.

Whittsville Proposal—New Facility in Whittsville

The first relocation option is to build a new 25,000-square-foot facility on the outskirts of Whittsville, four miles north of HT's current plant. The property is zoned for industrial use and is big enough to allow HT to custom build a facility to house its production and office operations. The construction estimate guarantees the facility will be ready for operation in 18 months.

Dalton Proposal—Renovated Facility in Dalton

The second relocation option is a 30,000-square-foot facility in Dalton that was formerly an auto parts plant. The facility was professionally inspected and found to be in good condition. A rough estimate of the cost to renovate the plant into a carpet-manufacturing facility, prepared by a construction contractor after a site visit, also guarantees an 18-month construction timeline.

Heritage Textiles Statement of Profit and Loss
Current year ended December 31
and
Projections for Year 1 at a new plant in Whittsville or renovated plant in Dalton

	Current Year Existing Plant	Whittsville Proposal	Dalton Proposal
Sales Revenue	$ 5,000,000	$ 6,250,000	$ 6,250,000
Cost of Goods Sold			
Resource costs: natural, human, and physical	$ 4,000,000	$ 4,800,000	$ 4,800,000
Transportation costs	$ 200,000	$ 250,000	$ 0
Total Cost of Goods Sold (COGS)	$ (4,200,000)	$ (5,050,000)	$ (4,800,000)
Gross Profit	$ 800,000	$ 1,200,000	$ 1,450,000
Operating Expenses	$ (500,000)	$ (500,000)	$ (500,000)
Net Profit before interest and taxes	$ 300,000	$ 700,000	$ 950,000

Projected increase in sales revenue (both locations) = 25%
Projected increase in resource costs (both locations) = 20%
Projected increase in transportation costs (Whittsville only) = 25%

Heritage Textiles
One-Time Relocation Costs

	Whittsville Proposal	Dalton Proposal
One-Time Costs		
Land	$ 550,000	$ 1,250,000
Plant construction	$ 1,000,000	$ 0
Building improvements on existing plant	$ 0	$ 610,000
Legal fees	$ 35,000	$ 35,000
New equipment purchase for increased production	$ 370,000	$ 370,000
Cost of relocating existing production and operations equipment	$ 45,000	$ 90,000
Severance pay for employees who leave HT due to move	$ 0	$ 175,000
Cost of recruiting and training new employees	$ 0	$ 70,000
Total One-Time Costs	**$ 2,000,000**	**$ 2,600,000**

Financial Analysis

Whitt has prepared summaries to capture the financial implications of each relocation option (Figures 1 and 2). Her projections reveal that the increased production and sales associated with a bigger facility will increase HT's profits and generate an annual return on investment (ROI) of 20% for the Whittsville option or 25% for the Dalton option. HT has $700,000 in cash to contribute to the one-time relocation costs, which means the business would need to secure a loan or issue stock to raise additional financial capital. To fund the remaining relocation costs, HT would need to raise an additional $1,300,000 if it chose the Whittsville proposal and an additional $1,900,000 if it chose the Dalton proposal.

(A) Heritage Textiles is a small carpet manufacturer that has a decision to make. Like all businesses, Heritage Textiles is affected by internal, market, and external factors that have an impact on its ability to achieve its goals.

i. **Describe** an internal, a market, or an external factor indicated in the scenario that affects Heritage Textiles.

ii. **Explain** how the factor you selected in part A (i) creates an opportunity or a problem for Heritage Textiles.

(B) There are several financial and nonfinancial criteria that can be used to compare the Whittsville and Dalton proposals.

i. Using projected annual return on investment as a criterion, **describe** a difference or similarity between the two courses of action. Include specific evidence related to each course of action in your response.

ii. Using one additional financial criterion relevant to the decision, **describe** a difference or similarity between the two courses of action. Include specific evidence related to each course of action in your response.

iii. Using one nonfinancial criterion relevant to the decision, **describe** a difference or similarity between the two courses of action. Include specific evidence related to each course of action in your response.

(C) Recommend a course of action for Heritage Textiles.

In your response you should do the following:

- **Recommend** one of the two courses of action in the scenario.
- **Explain** why you recommend that course of action.
- **Support** your recommendation using any three specific criteria, which may include the specific financial and nonfinancial criteria from part B or other specific financial and nonfinancial criteria. Include evidence from the scenario related to each criterion you use.

Scoring Guidelines for Question 4: Business Decision — 8 points

<table>
<tr><th>Reporting Category</th><th colspan="2">Scoring Criteria</th></tr>
<tr><td rowspan="4">Part A (i)
Factor
(0–1 points)
Row 1</td><td>0 points
Does not describe an internal, a market, or an external factor indicated in the scenario that affects the business.</td><td>1 point
Describes an internal, a market, or an external factor indicated in the scenario that affects the business.</td></tr>
<tr><td colspan="2">Decision Rules and Scoring Notes</td></tr>
<tr><td>Responses that do not earn this point:
Provide no response to the prompt.
Provide an incomplete description of the factor that affects Heritage Textiles.
Provide a description of something that is not an internal, a market, or an external factor affecting Heritage Textiles.
Provide a description of an internal, a market, or an external factor that may affect Heritage Textiles but is not indicated in the scenario.</td><td>Responses that earn this point:
Provide an accurate description of an internal factor indicated in the scenario that affects Heritage Textiles:
Current plant size
Highly skilled carpet-making employees
OR
Provide an accurate description of a market factor indicated in the scenario that affects Heritage Textiles:
Increased demand for carpets
Bankruptcy or closing of direct competitors
OR
Provide an accurate description of an external factor indicated in the scenario that affects Heritage Textiles:
Complaints from residents about alleged air pollution
Overall stability and performance of the economy</td></tr>
<tr><td>Examples that do not earn this point:
Provide an incomplete description
“Customer demand.”
“Heritage Textiles is more than 100 years old.”
“Air pollution.”
Provide a description of something that is not an internal, a market, or an external factor
“Heritage Textiles has to relocate.”
“Heritage Textiles has a decision to make.”
Provide a description of a factor that is not indicated in the scenario
“The power of resource suppliers to raise prices.”</td><td>Examples that earn this point:
“Customer demand for carpets.”
“Closing or bankruptcy of Heritage Textiles’ direct competitors.”
“An internal factor affecting Heritage Textiles is the size of its current production facility, which determines how many carpets Heritage Textiles can produce and sell.”
“An external factor affecting Heritage Textiles is the overall health of the economy, which results in increased consumer spending when the economy is strong and stable and decreased consumer spending when the economy is weak or unstable.”
“A factor affecting Heritage Textiles is the complaints from the neighbors who claim that the microscopic textile particles are affecting their health.”</td></tr>
<tr><td></td><td colspan="2">Additional Notes:
Students do not need to identify whether the factor they describe is an internal, a market, or an external factor.
Students may earn the point for a complete description of a factor that affects the business even if the factor is misidentified as internal, market, or external.</td></tr>
</table>

<table>
<tr><th>Reporting Category</th><th colspan="2">Scoring Criteria</th></tr>
<tr><td rowspan="4">Part A (ii)
Opportunity or Problem
(0–1 points)
Row 2</td><td>0 points
Does not explain why the factor selected in part A (i) creates an opportunity or a problem for the business.</td><td>1 point
Explains why the factor selected in part A (i) creates an opportunity or a problem for the business.</td></tr>
<tr><td colspan="2">Decision Rules and Scoring Notes</td></tr>
<tr><td>Responses that do not earn this point:
▪ Provide no response to the prompt.
▪ Provide an incomplete explanation of the relationship between the factor identified in part A (i) and an opportunity or a problem for Heritage Textiles.</td><td>Responses that earn this point:
▪ Provide a complete explanation as to why the internal factor described in part A (i) creates an opportunity or a problem for Heritage Textiles:
◆ The current plant size is creating a problem for the business because it cannot produce more carpets to meet the projected sales increase.
◆ The business's highly skilled employees in Whittsville create an opportunity for the business to differentiate itself with higher-quality products.
OR
▪ Provide a complete explanation as to why the market factor described in part A (i) creates an opportunity or a problem for Heritage Textile:
◆ The increase in market demand for carpets creates the opportunity to sell more carpets because there are more people willing to buy them.
◆ The decrease in the number of competitors creates the opportunity to gain market share because customers have fewer choices.
OR
▪ Provide a complete explanation as to why the external factor described in part A (i) creates an opportunity or a problem for Heritage Textiles:
◆ Complaints alleging air pollution by residents are a problem because they are straining the strong ties Heritage Textiles has with the community where it has operated for over 100 years.
◆ The fluctuation in the overall level of spending in the economy creates a problem for the business because demand for its product, and thus its sales, revenue, and profitability, all fluctuate in response.</td></tr>
<tr><td>Examples that do not earn this point:
Provide an incomplete explanation
▪ "The complaints by neighbors of air pollution are bad for Heritage Textiles."
▪ "The fact that there's no room for Heritage Textiles to expand production is a problem for the business."</td><td>Examples that earn this point:
▪ "The increase in market demand is creating an opportunity for Heritage Textiles to sell more carpets, increasing revenue and profits."
▪ "The current plant size is creating a problem for Heritage Textiles because it lacks the capacity to respond to increases in demand, losing out on sales, revenue, and profits."
▪ "The strengthening economy is creating an opportunity for Heritage Textiles as the increase in consumer spending is causing an increase in demand for Heritage Textiles' carpets."</td></tr>
</table>

Reporting Category	Scoring Criteria	
Part B (i) **Comparison 1** **(0–1 points)** **Row 3**	**0 points** Does not describe a difference or similarity between the two courses of action using the criterion named in the prompt or include specific evidence related to each course of action.	**1 point** Describes a difference or similarity between the two courses of action using the criterion named in the prompt and includes specific evidence related to each course of action.
	Decision Rules and Scoring Notes	
	Responses that do not earn this point: ▪ Provide no response to the prompt. ▪ Provide no difference or similarity. ▪ Provide a difference or similarity in terms of a criterion other than projected annual return on investment (ROI). ▪ Provide a difference or similarity that is not supported by evidence related to each course of action. ▪ Provide a difference or similarity that is supported by inaccurate or irrelevant evidence.	**Responses that earn this point:** ▪ Provide a description of a difference or similarity between the Whittsville and Dalton proposals using projected annual return on investment and specific evidence for each proposal. ▪ Provide a description of a difference or similarity between the Whittsville and Dalton proposals using additional net profit relative to projected one-time costs (or investment required) as a criterion and specific evidence for each proposal.
	Examples that do not earn this point: **Provide no difference or similarity** ▪ "The projected annual ROI in Dalton is 25%." **Provide a difference or similarity in terms of a criterion other than projected annual ROI** ▪ "If Heritage Textiles moves to Dalton, it will earn $250,000 more in profits than if it stays in Whittsville." **Provide a difference or similarity that is not supported by evidence** ▪ "The Dalton proposal has a higher projected annual ROI than the Whittsville proposal." **Provide a difference or similarity that is supported by inaccurate or irrelevant evidence** ▪ "The Whittsville proposal has a higher ROI of 25%, compared to the Dalton proposal's ROI of 20%." ▪ "The Dalton proposal has a higher ROI of $950,000, compared to the Whittsville proposal ROI of $700,000."	**Examples that earn this point:** ▪ "Dalton's projected annual ROI is 25% and Whittsville's is 20%." ▪ "If Heritage Textiles moves to Dalton, it will have to spend $2.6 million to earn an additional net profit of $950,000, which is a better ROI than in Whittsville, where it would have to spend $2 million to earn an additional net profit of $750,000."

<table>
<tr><th>Reporting Category</th><th colspan="2">Scoring Criteria</th></tr>
<tr><td rowspan="4">Part B (ii)
Comparison 2
(0–1 points)
Row 4</td><td>0 points
Does not describe a difference or similarity between the two courses of action using an additional financial or nonfinancial criterion or include specific evidence related to each course of action.</td><td>1 point
Describes a difference or similarity between the two courses of action using an additional financial or nonfinancial criterion and includes specific evidence related to each course of action.</td></tr>
<tr><td colspan="2">Decision Rules and Scoring Notes</td></tr>
<tr><td>Responses that do not earn this point:
▪ Provide no response to the prompt.
▪ Provide no difference or similarity.
▪ Provide a difference or similarity in terms of a nonfinancial criterion.
▪ Provide a difference or similarity that is not supported by evidence related to each course of action.
▪ Provide a difference or similarity that is supported by inaccurate or irrelevant evidence.</td><td>Responses that earn this point:
▪ Provide a description of a difference or similarity between the Whittsville and Dalton proposals using an additional financial criterion and include specific evidence related to each proposal:
◆ Criterion: Projected total one-time costs
Evidence: $2 m for Whittsville and $2.6 m for Dalton
◆ Criterion: Amount of external funding needed
Evidence: $1.3 for Whittsville and $1.9 m for Dalton
◆ Criterion: Projected transportation expenses
Evidence: $250,000 for Whittsville and $0 for Dalton
◆ Criterion: Projected gross profit
Evidence: $1.2 m for Whittsville and $1.45 million for Dalton
◆ Criterion: Projected gross profit margin
Evidence: 19.2% for Whittsville and 23.2% for Dalton
◆ Criterion: Projected net profit before interest and taxes
Evidence: $700,000 for Whittsville and $950,000 for Dalton
◆ Criterion: Net profit margin before interest and taxes
Evidence: 11.2% for Whittsville and 15.2% for Dalton
◆ Criterion: Total interest expense
Evidence: lower borrowing needs means lower total interest expense for Whittsville and higher borrowing needs means higher total interest expense for Dalton</td></tr>
<tr><td>Examples that do not earn this point:
Provide no difference or similarity
▪ “The Dalton proposal has many financial benefits.”
Provide a difference or similarity in terms of nonfinancial criterion
▪ “The Whittsville proposal is better because of the skilled workers in Whittsville.”
Provide a difference or similarity that is not supported by evidence
▪ “The Dalton proposal is more profitable than the Whittsville proposal.”
Provide a difference or similarity that is supported by inaccurate or irrelevant evidence
▪ “The Whittsville proposal is more profitable, based on a comparison of the total one-time costs of $2 million for Whittsville and $2.6 million for Dalton.”</td><td>Examples that earn this point:
▪ “The Whittsville proposal has one-time costs of $2 million, and the Dalton proposal has one-time costs of $2.6 million.”
▪ “The Whittsville proposal requires $1.3 million in external funding, whereas the Dalton proposal requires $1.9 million in external funding.”
▪ “The Dalton proposal is more profitable by every measure, including net profit before interest and taxes. If Heritage Textiles relocates to Dalton, it will earn $250,000 more in profits than if it relocates to the new facility in Whittsville.”</td></tr>
<tr><td></td><td colspan="2">Additional Notes:
▪ If a nonfinancial criterion has clear and direct financial implications (e.g., the percentage of market share), the financial criterion comparison point can be awarded.</td></tr>
</table>

<table>
<tr><th>Reporting Category</th><th colspan="2">Scoring Criteria</th></tr>
<tr><td rowspan="4">Part B (iii)
Comparison 3
(0–1 points)
Row 5</td><td>0 points
Does not describe a difference or similarity between the two courses of action using a financial or nonfinancial criterion or include specific evidence related to each course of action.</td><td>1 point
Describes a difference or similarity between the two courses of action using a financial or nonfinancial criterion and includes specific evidence related to each course of action.</td></tr>
<tr><td colspan="2">Decision Rules and Scoring Notes</td></tr>
<tr><td>Responses that do not earn this point:
Provide no response to the prompt.
Provide no difference or similarity.
Provide a difference or similarity in terms of a financial criterion.
Provide a difference or similarity that is not supported by evidence related to each course of action.
Provide a difference or similarity that is supported by inaccurate or irrelevant evidence.</td><td>Responses that earn this point:
Provide a description of a difference or similarity between the Whittsville and Dalton proposals using a nonfinancial criterion and include specific evidence related to each proposal:
Criterion: New plant size
Evidence: 25,000 square feet for Whittsville; 30,000 square feet for Dalton.
Criterion: Supply chain risk
Evidence: The renovated facility in Dalton is in the same town as Heritage Textile's raw materials and distribution network; the new facility in Whittsville is 45 miles away.
Criterion: Threat of new entrants
Evidence: If Heritage Textiles moves to Dalton, up to 80% of its workers might quit, and it will leave behind an empty carpet plant. A new rival might be able to acquire both the plant and the employees. If Heritage Textiles stays in Whittsville, it will preserve all 120 skilled employees, who would not be available to work for a rival.
Criterion: Core value/connection to community of Whittsville
Evidence: Heritage Textiles has a long connection to Whittsville where it has operated for more than 100 years. It has no such relationship with the city of Dalton.
Criterion: Facility construction
Evidence: In Whittsville, the new facility will be custom built for Heritage Textiles. In Dalton, the new facility will be a renovated former auto parts plant.</td></tr>
<tr><td>Examples that do not earn this point:
Provide no difference or similarity
"The new plant in Whittsville is only 4 miles from the current facility."
Provide a difference or similarity in terms of a financial criterion
"The amount of external funding needed means that the Whittsville proposal is better than the Dalton proposal."
Provide a difference or similarity that is not supported by evidence from the scenario
"The renovated plant in Dalton is bigger than the new factory in Whittsville."
"The supply chain risk associated with staying in Whittsville is higher than the supply chain risk of moving to Dalton."
Provide a difference or similarity that is supported by inaccurate or irrelevant evidence
"Moving to Dalton is less risky than staying in Whittsville, because renovating an existing facility is safer than building a new one from the ground up."</td><td>Examples that earn this point:
"The renovated auto parts factory in Dalton will be bigger than the new plant in Whittsville by 5,000 square feet (30,000 vs. 25,000)."
"Staying in Whittsville means remaining 45 miles away from the source of the carpet raw materials and distribution network that are located in Dalton. Moving to Dalton means that Heritage Textiles will be located in the same city as these raw materials and distribution facilities, which reduces the risk of delays and other problems that could affect the business's supply chain."</td></tr>
</table>

<table>
<tr><th>Reporting Category</th><th colspan="2">Scoring Criteria</th></tr>
<tr><td rowspan="6">Part C
Recommendation
(0–1 points)
Row 6</td><td>0 points
Does not recommend one of the two courses of action.
OR
Does not explain why that course of action was recommended.</td><td>1 point
Recommends one of the two courses of action and explains why that course of action was recommended.</td></tr>
<tr><td colspan="2">Decision Rules and Scoring Notes</td></tr>
<tr><td>Responses that do not earn this point:
Provide no response to the prompt.
Provide no recommended course of action.
Provide no explanation of why that course of action was recommended.
Recommend a course of action that is not one of the two alternatives described in the scenario.</td><td>Responses that earn this point:
Recommend the Whittsville proposal and explain why it was recommended.
Recommend the Dalton proposal and explain why it was recommended.</td></tr>
<tr><td>Examples that do not earn this point:
Provide no recommended course of action
“There are many advantages and disadvantages associated with the Whittsville proposal and the Dalton proposal.”
Provide no line of reasoning
“The Whittsville proposal is preferable to the Dalton proposal.”
Recommend a course of action that is not one of two proposals in the scenario
“Heritage Textiles should stay in its current facility but use the money it has available to increase the plant’s capacity. That way it achieves all the benefits of staying in Whittsville, with none of the drawbacks.”</td><td>Examples that earn this point:
“The Whittsville proposal is preferable to the Dalton proposal because it will achieve all of the operational needs of a new factory while allowing the business to stay in its hometown.”
“Heritage Textiles should move to the renovated auto parts factory in Dalton because it is the more profitable option.”</td></tr>
<tr><td colspan="2">Additional Notes:
The explanation does not have to be established in the sentence that contains the recommendation. If a rationale is established anywhere in the response, a student may earn this point.</td></tr>
</table>

<table>
<tr><th>Reporting Category</th><th colspan="3">Scoring Criteria</th></tr>
<tr><td rowspan="4">Part C
Evidence
(0–2 points)
Row 7</td><td>0 points
Provides no evidence to support the recommended course of action.
OR
Supports the recommendation using only one specific criterion and includes evidence from the scenario related to that criterion.</td><td>1 point
Supports the recommendation using two specific criteria and includes evidence from the scenario related to each criterion.</td><td>2 points
Supports the recommendation using three specific criteria and includes evidence from the scenario related to each criterion.</td></tr>
<tr><td colspan="3">Decision Rules and Scoring Notes</td></tr>
<tr><td>Responses that do not earn this point:
Provide no response to the prompt.
Provide no evidence related to the criteria used to support the recommendation.
Provide evidence related to one specific criterion used to support the recommendation.</td><td>Responses that earn 1 point:
Provide two specific financial and/or nonfinancial criteria and evidence from the scenario related to each criterion to support the recommendation that the Whittsville proposal is preferable.
Provide two specific financial and/or nonfinancial criteria and evidence from the scenario related to each criterion to support the recommendation that the Dalton proposal is preferable.</td><td>Responses that earn 2 points:
Provide three specific financial and/or nonfinancial criteria and evidence from the scenario related to each criterion to support the recommendation that the Whittsville proposal is preferable.
Provide three specific financial and/or nonfinancial criteria and evidence from the scenario related to each criterion to support the recommendation that the Dalton proposal is preferable.</td></tr>
<tr><td>Examples that do not earn this point:
Provide no evidence related to the criteria
“In Dalton, Heritage Textiles will earn more gross profit, more net profit before interest and taxes, and a higher ROI.”
Provide evidence related to only one criterion
“Since ROI is very important to businesses, the proposal with the highest ROI should be the one chosen. Also, the factory in Dalton will be 30,000 square feet, which is bigger than the new factory in Whittsville, which is only 20,000 square feet.”</td><td>Examples that earn 1 point:
“With the importance to the business of its 100+ year history in Whittsville, Heritage Textiles should do everything it can to stay in its hometown and avoid moving 45 miles away and losing 96 skilled workers.”
“The opportunity to custom build a new facility in Whittsville is likely to have operational benefits in terms of productive efficiency over the need to renovate an old factory that was used to produce auto parts; plus building a new factory in Whittsville offers the opportunity to address any air pollution issues, preserving the relationship between the business and the community.”
“Heritage Textiles is in the business of making profit and the Dalton proposal is $250,000 more profitable in terms of net profit before interest and taxes and comes with a projected ROI that is 5 percentage points higher than the Whittsville proposal.”</td><td>Examples that earn 2 points:
“Up to 80% of Heritage Textiles’ 120 highly skilled employees will quit if the business moves 45 miles away to Dalton, which could cost $245,000 in severance and recruitment costs (and possibly more). Because the one-time costs are lower in Whittsville, the business can save $600,000 by staying there, which means borrowing less and paying less interest.”
“Heritage Textiles will earn $250,000 more per year in profit in Dalton and an ROI of 25% vs. 20% annually. The supply chain risk will also be reduced because Heritage Textiles will be located in the same city as its raw materials and distribution network. Staying in Whittsville means risking transporting raw materials and finished carpets 45 miles back and forth from Dalton.”</td></tr>
</table>

Reporting Category	Scoring Criteria
	Additional Notes: ▪ The criteria and specific evidence used to support the recommendation do not have to be the same as the criteria and specific evidence used in part B. ▪ Any combination of three criteria (financial and/or nonfinancial) along with related evidence may be used to support the recommendation. ▪ If a criterion used to support the recommendation in part C is based on specific evidence used to compare the courses of action in part B, students can earn the point for "includes evidence from the scenario related to each criterion." For example, if the response: "In Dalton, Heritage Textiles will earn more gross profit, more net profit before interest and taxes, and a higher ROI." was accompanied by a part B response that included the specific information from the scenario related to "gross profit, net profit before interest and taxes, and ROI" for both courses of action, then the response would earn 2 points, not 0.

AP BUSINESS WITH
PERSONAL FINANCE

Appendix

AP BUSINESS WITH PERSONAL FINANCE

National Standards for Personal Financial Education

National Standards for Personal Financial Education

Topic Summary of the Standards

I. EARNING INCOME

Most people earn wage and salary income in return for working, and they can also earn income from interest, dividends, rents, entrepreneurship, business profits, or increases in the value of investments. Employee compensation may also include access to employee benefits such as retirement plans and health insurance. Employers generally pay higher wages and salaries to more educated, skilled, and productive workers. The decision to invest in additional education or training can be made by weighing the benefit of increased income-earning and career potential against the opportunity costs in the form of time, effort, and money. Spendable income is lower than gross income due to taxes assessed on income by federal, state, and local governments.

GRADE 12 STANDARDS

Standard	*Students will know that …*
Earning Income **12-1**	Compensation for a job or career can be in the form of wages, salaries, commissions, tips, or bonuses, and may also include contributions to employee benefits, such as health insurance, retirement savings plans, and education reimbursement programs.
Earning Income **12-2**	In addition to wages and paid benefits, employees may also value intangible (noncash) benefits, such as good working conditions, flexible work hours, telecommuting privileges, and career advancement potential.
Earning Income **12-3**	People vary in their opportunity and willingness to incur the present costs of additional training and education in exchange for future benefits, such as earning potential.
Earning Income **12-4**	Employers generally pay higher wages or salaries to more educated, skilled, and productive workers than to less educated, skilled, and productive workers.
Earning Income **12-5**	Changes in economic conditions, technology, or the labor market can cause changes in income, career opportunities, or employment status.
Earning Income **12-6**	Federal, state, and local taxes fund government-provided goods, services, and transfer payments to individuals. The major types of taxes are income taxes, payroll taxes, property taxes, and sales taxes.
Earning Income **12-7**	The type and amount of taxes people pay depend on their sources of income, amount of income, and amount and type of spending.
Earning Income **12-8**	Interest, dividends, and capital appreciation (gains) are examples of unearned income derived from financial investments. Capital gains are subject to different tax rates than earned income.
Earning Income **12-9**	Tax deductions and credits reduce income tax liability.
Earning Income **12-10**	Retirement income typically comes from some combination of continued employment earnings, Social Security, employer-sponsored retirement plans, and personal investments.
Earning Income **12-11**	Owning a small business can be a person's primary career or can supplement income from other sources.

II. SPENDING

A budget is a plan for allocating a person's spendable income to necessary and desired goods and services. When there is sufficient money in their budget, people may decide to give money to others, save, or invest to achieve future goals. People can often improve their financial wellbeing by making well-informed spending decisions, which includes critical evaluation of price, quality, product information, and method of payment. Individual spending decisions may be influenced by financial constraints, personal preferences, unique needs, peers, and advertising.

GRADE 12 STANDARDS

Standard	*Students will know that …*
Spending **12-1**	A budget helps people achieve their financial goals by allocating income to necessary and desired spending, saving, and philanthropy.
Spending **12-2**	Consumer decisions are influenced by the price of products or services, the price of alternatives, the consumer's budget and preferences, and potential impact on the environment, society, and economy.
Spending **12-3**	When purchasing a good that is expected to be used for a long time, consumers consider the product's durability, maintenance costs, and various product features.
Spending **12-4**	Consumers may be influenced by how prices of goods and services are advertised, and whether prices are fixed or negotiable.
Spending **12-5**	Consumers incur costs and realize benefits when searching for information related to the purchase of goods and services.
Spending **12-6**	Housing decisions depend on individual preferences, circumstances, and costs, and can impact personal satisfaction and financial well-being.
Spending **12-7**	People donate money, items, or time to charitable and nonprofit organizations because they value the services provided by the organization and/or gain satisfaction from giving.
Spending **12-8**	Federal and state laws, regulations, and consumer protection agencies (e.g., Federal Trade Commission, Consumer Affairs office, and Consumer Financial Protection Bureau) can help individuals avoid unsafe products, unfair practices, and marketplace fraud.
Spending **12-9**	Having an organized system for keeping track of spending, saving, and investing makes it easier to make financial decisions.

III. SAVING

People who have sufficient income can choose to save some of it for future uses such as emergencies or later purchases. Savings decisions depend on individual preferences and circumstances. Funds needed for transactions, bill-paying, or purchases, are commonly held in federally insured checking or savings accounts at financial institutions because these accounts offer easy access to their money and low risk. Interest rates, fees, and other account features vary by type of account and among financial institutions, with higher rates resulting in greater compound interest earned by savers.

GRADE 12 STANDARDS

Standard	*Students will know that …*
Saving **12-1**	Financial institutions offer several types of savings accounts, including regular savings, money market accounts, and certificates of deposit (CDs), that differ in minimum deposits, rates, and deposit insurance coverage.
Saving **12-2**	Deposit account interest rates and fees vary between financial institutions and depend on market conditions and competition.
Saving **12-3**	Unless offered by insured financial institutions, mobile payment accounts and cryptocurrency accounts are not federally insured and usually do not pay interest to depositors.
Saving **12-4**	Inflation can erode the value of savings if the interest rate earned on a savings account is less than the inflation rate.
Saving **12-5**	Government agencies such as the Federal Reserve, the FDIC, and the NCUA, along with their counterparts in state government, supervise and regulate financial institutions to improve financial solvency, legal compliance, and consumer protection.
Saving **12-6**	Tax policies that allow people to save pretax earnings or to reduce or defer taxes on interest earned provide incentives for people to save.
Saving **12-7**	Employer defined contribution retirement plans and health savings accounts can provide incentives for employees to save.
Saving **12-8**	People can reduce the potential for future financial strife with a partner or spouse by sharing personal financial information, goals, and values prior to combining finances.
Saving **12-9**	There are many strategies that can help people manage psychological, emotional, and external obstacles to saving, including automated savings plans, employer matches, and avoiding personal triggers.

IV. INVESTING

People can choose to invest some of their money in financial assets to achieve long-term financial goals, such as buying a house, funding future education, or securing retirement income.

Investors receive a return on their investment in the form of income and/or growth in value of their investment over time. People can more easily achieve their financial goals by investing steadily over many years, reinvesting dividends, and capital gains to compound their returns.

Investors have many choices of investments that differ in expected rates of return and risk.

Riskier investments tend to earn higher long-run rates of return than lower-risk investments.

Investors select investments that are consistent with their risk tolerance, and they diversify across a number of different investment choices to reduce investment risk.

GRADE 12 STANDARDS

Standard	*Students will know that …*
Investing **12-1**	A person's investment risk tolerance depends on factors such as personality, financial resources, investment experiences, and life circumstances.
Investing **12-2**	Investors earn investment returns from price changes and annual cash flows (such as interest, dividends or rent). The nominal annual rate of return is the annual total dollar benefit as a percentage of the beginning price.
Investing **12-3**	Investors expect to earn higher rates of return when they invest in riskier assets.
Investing **12-4**	Because inflation reduces purchasing power over time, the real return on a financial asset is lower than its nominal return.
Investing **12-5**	The prices of financial assets change in response to market conditions, interest rates, company performance, new information, and investor demand.
Investing **12-6**	When making diversification and asset allocation decisions, investors consider their risk tolerance, goals, and investing time horizon.
Investing **12-7**	Expenses of buying, selling, and holding financial assets decrease the rate of return from an investment.
Investing **12-8**	Tax rules affect the rate of return on different investments, and can vary by holding period, type of income, and type of account.
Investing **12-9**	Common behavioral biases can result in investors making decisions that adversely affect their investment outcomes.
Investing **12-10**	Financial technology can counterbalance negative behavioral factors when making investment decisions.
Investing **12-11**	Many investors buy and sell financial assets through discount brokerage firms that provide inexpensive investment services and advice using financial technology.
Investing **12-12**	Federal regulation of financial markets is designed to ensure that investors have access to accurate information about potential investments and are protected from fraud.
Investing **12-13**	Investors often compare the performance of their investments against a benchmark, such as a diversified stock or bond index.
Investing **12-14**	Criteria for selecting financial professionals for investment advice include licensing, certifications, education, experience, and cost.

V. MANAGING CREDIT

Credit allows people to purchase and enjoy goods and services today, while agreeing to pay for them in the future, usually with interest. There are many choices for borrowing money, and lenders charge higher interest and fees for riskier loans or riskier borrowers. Lenders evaluate creditworthiness of a borrower based on the type of credit, past credit history, and expected ability to repay the loan in the future. Credit reports compile information on a person's credit history, and lenders use credit scores to assess a potential borrower's creditworthiness. A low credit score can result in a lender denying credit to someone they perceive as having a low level of creditworthiness. Common types of credit include credit cards, auto loans, home mortgage loans, and student loans. The cost of post-secondary education can be financed through a combination of grants, scholarships, work-study, savings, and federal or private student loans.

GRADE 12 STANDARDS

Standard	*Students will know that …*
Credit **12-1**	Borrowers can compare the cost of credit using the Annual Percentage Rate (APR) and other terms in the loan or credit card contract.
Credit **12-2**	Loans that are secured by collateral have lower interest rates than unsecured loans because they are less risky to lenders.
Credit **12-3**	Monthly mortgage payments vary depending on the amount borrowed, the repayment period, and the interest rate, which can be fixed or adjustable.
Credit **12-4**	Post-secondary education is often financed by students and families/caregivers through a combination of scholarships, grants, student loans, work-study, and savings.
Credit **12-5**	Federal student loans have lower rates and more favorable repayment terms than private student loans, and may be subsidized.
Credit **12-6**	Down payments reduce the amount needed to borrow.
Credit **12-7**	Lenders assess creditworthiness of potential borrowers by consulting credit reports compiled by credit bureaus.
Credit **12-8**	A credit score is a numeric rating that assesses a person's credit risk based on information in their credit report.
Credit **12-9**	Credit reports and credit scores may be requested and used by entities other than lenders.
Credit **12-10**	Borrowers who face negative consequences because they are unable to repay their debts may be able to seek debt management assistance.
Credit **12-11**	In extreme cases, bankruptcy may be an option for people who are unable to repay their debts.
Credit **12-12**	Consumer credit protection laws govern disclosure of credit terms, discrimination in borrowing, and debt collection practices.
Credit **12-13**	Alternative financial services, such as payday loans, check-cashing services, pawnshops, and instant tax refunds, provide easy access to credit, often at relatively high cost.

VI. MANAGING RISK

People are exposed to personal risks that can result in lost income, assets, health, life, or identity. They can choose to manage those risks by accepting, reducing, or transferring them to others. When people transfer risk by buying insurance, they pay money now in return for the insurer covering some or all financial losses that may occur in the future. Common types of insurance include health insurance, life insurance, and homeowner's or renter's insurance. The cost of insurance is related to the size of the potential loss, the likelihood that the loss event will happen, and the risk characteristics of the asset or person being insured. Identity theft is a growing concern for consumers and businesses. Stolen personal information can result in financial losses and fraudulent credit charges. The risk of identity theft can be minimized by carefully guarding personal financial information.

GRADE 12 STANDARDS

Standard	*Students will know that …*
Managing Risk **12-1**	People vary with respect to their willingness to accept risk and in how much they are willing to pay for insurance that will allow them to minimize future financial loss.
Managing Risk **12-2**	The decision to buy insurance depends on perceived risk exposure, the price of insurance coverage, and individual characteristics such as risk attitudes, age, occupation, lifestyle, and financial profile.
Managing Risk **12-3**	Some types of insurance coverage are mandatory.
Managing Risk **12-4**	Insurance premiums are lower for people who take actions to reduce the likelihood and/or financial cost of losses and for those who buy policies with larger deductibles or copayments.
Managing Risk **12-5**	Health insurance provides coverage for medically necessary health care and may also cover some preventive care. It is sometimes offered as an employee benefit with the employer paying some or all of the premium cost.
Managing Risk **12-6**	Disability insurance replaces income lost when a person is unable to earn their regular income due to injury or illness. In addition to privately purchased policies, some government programs provide disability protection.
Managing Risk **12-7**	Auto, homeowner's, and renter's insurance reimburse policyholders for financial losses to their covered property and the costs of legal liability for their damages to other people or property.
Managing Risk **12-8**	Life insurance provides funds for beneficiaries in the event of an insured person's death. Policy proceeds are intended to replace the insured's lost wages and/or to fund their dependents' future financial needs.
Managing Risk **12-9**	Unemployment insurance, Medicaid, and Medicare are public insurance programs that protect individuals from economic hardship caused by certain risks.
Managing Risk **12-10**	Insurance fraud is a crime that encompasses illegal actions by the buyer (e.g., falsified claims) or seller (e.g., representing non-existent companies) of an insurance contract.
Managing Risk **12-11**	Online transactions and failure to safeguard personal documents can make consumers vulnerable to privacy infringement, identity theft, and fraud.
Managing Risk **12-12**	Extended warranties and service contracts are like an insurance policy.

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