



SPRINGFIELD PUBLIC SCHOOLS

**ENGAGING STUDENTS • FOSTERING ACHIEVEMENT • CULTIVATING 21ST CENTURY
GLOBAL SKILLS**

**Springfield Public Schools
Springfield, New Jersey 07081**

**AP Business with Personal Finance
Curriculum Manual**

2026

**This curriculum may be modified through varying materials, techniques, and
strategies as per an individual student's IEP.**

*Springfield Board of Education
Approved on July 27, 2026*



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GLOBAL SKILLS**

**Springfield Public Schools
Springfield, New Jersey**

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Superintendent of Schools**

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Springfield Public Schools

Cultivating compassionate and extraordinary learners!

EXTRACT OF THE MINUTES OF A MEETING OF
THE BOARD OF EDUCATION OF
THE TOWNSHIP OF SPRINGFIELD
COUNTY OF UNION, NEW JERSEY
AS RECORDED IN THE OFFICIAL MINUTE BOOK

Resolution: 21

Introduced By: Mrs. Gamarekian

Seconded By: Vice President Rinaldi

Adopted: July 27, 2026

Curriculum Adoption

To approve the following new and revised curriculum and courses for the 2026-2027 school year:

1. High School Courses

- a. AP Cybersecurity (new course)
- b. AP Business with Personal Finance (new course)
- c. AP Biology
- d. AP Chemistry
- e. AP Physics I
- f. PLTW Robotics and Automation
- g. PLTW Introduction to Engineering Design
- h. PLTW Principles of Engineering
- i. Biology
- j. Biology Honors
- k. Chemistry
- l. Chemistry Honors
- m. Conceptual Physics
- n. Physics
- o. Environmental Science
- p. Forensics
- q. Human Anatomy and Physiology
- r. Oceanography
- s. Science 8
- t. Molecular Biology Research Lab (new course)

2. Middle School Courses

- a. Science 6
- b. Science 7

3. Elementary School Courses

- a. Kindergarten Science
- b. Grade 1 Science
- c. Grade 2 Science

(continued)

I, Michelle Calas, School Business Administrator/ Board Secretary of the Springfield Board of Education, hereby certify that the extract from the minutes of a meeting of the Board of Education duly called and held on July 27, 2026 has been compared by me with the original minute book of said Board of Education, and is a true, complete and exact copy thereof, as far as the same relates to the subject matter to on said extract.

In WITNESS THEREOF, I have hereunto set my hand and seal of the Springfield Board of Education, this 28th day of July 2026.

SEAL



Michelle Calas

School Business Administrator/ Board Secretary



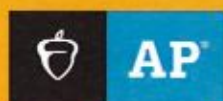
Introduction

This template is the product of an initiative led by the New Jersey Department of Education, Office of Academic Standards, in partnership with the New Jersey Association for Supervision and Curriculum Development (NJASCD) and the New Jersey Principals and Supervisors Association (NJPSA). The project was undertaken with the assistance of New Jersey content area supervisors, curriculum coordinators, and teachers during spring-summer 2009. The goal of the project was to design exemplar unit plans and accompanying lesson plans aligned with the New Jersey Student Learning Standards that may be used by districts as models for the development of local curricula.

The Unit Overview Template, which follows, is a tool that can help districts define one unit plan of several that comprise a specific course in the curriculum for any content area. It is designed, once completed, to summarize the content and objectives for the unit, outline lessons and assessments that support the unit, and provide links to documents that facilitate delivery of the unit, such as student materials, background information, resources, and performance rubrics. To see how the units fit together in the design of a course, see the Curriculum Design Template included at the end of this document.

Seven content area Unit Overviews were created as part of the project to serve as exemplar unit plans that are aligned with the New Jersey Student Learning Standards and that assist in achieving the goal of engaging students, fostering achievement, and cultivating 21st century global skills. The units stress the integration of 21st century themes and skills, global perspectives, technology, and cross-curricular connections.

We encourage districts to use the exemplars in conjunction with the curriculum development tools and templates that emanated from this project as models for teaching and learning based on the New Jersey Student Learning Standards.



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



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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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 Canvas¹ 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

Concept Application 1

Explain business and personal finance concepts, principles, and strategies, and apply them to scenarios.

- 1.A** Describe business and personal finance concepts, principles, and strategies.
- 1.B** Interpret quantitative and qualitative business and personal financial data, performing calculations as appropriate.
- 1.C** Using business and personal finance concepts and principles, explain how and why businesses and individuals pursue specific goals, strategies, and actions.

Skill Category 2

Entrepreneurship 2

Identify a market opportunity, and develop and test a product idea designed to address the opportunity.

- 2.A** Identify a market opportunity (e.g., a customer problem, need, or want) and develop a product idea to address it.
- 2.B** Formulate and test business hypotheses to iterate and improve on a product idea.
- 2.C** Explain the desirability, viability, and/or feasibility of a product idea.

Course Skills (cont'd)

Professional & Leadership Skills

Skill Category 3

Decision Making 3

Describe opportunities or problems, and recommend courses of action to address them.

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.

Skill Category 4

Communication 4

Create authentic communications appropriate for a specific audience and purpose.

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.

Skill Category 5

Collaboration 5

Work collaboratively with and lead others to accomplish a goal or task.

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	siggis
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**
~35 CLASS PERIODS

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

PART 2
**Business Finance
and Accounting**
25-35% AP EXAM WEIGHTING

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⁺ APPROXIMATELY -37 CLASS PERIODS

Businesses, Competition, and New Ideas

Developing Understanding

Businesses exist to solve a problem or to provide a service. They start as an idea and seek to achieve viability by selling products that address customer problems, needs, or wants. Unit 1 introduces students to the world of business where businesses get their start, how they operate, how they compete, how they shape their decisions-making, and how external factors affect their success. Students also consider how these same external factors influence individuals' career opportunities, income, and personal choices about work.

Unit 1 explores the entrepreneurial process—identifying and evaluating 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 business and provide income. Another critical aspect of Unit 1 is learning how businesses and individuals navigate the challenges posed by market competition and PESTLE factors (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 other students in business 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.

Exercises provided by the AP Program include a representative sampling of reading questions, an additional opportunity to apply skills, and a writing prompt. For more guidance on using cases effectively in the classroom, see the Guide to Teaching with Cases.

Building Course Skills: Business Canvas Project

Students design the Business Canvas Project in Unit 1 by identifying and evaluating 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 idea of a potential business opportunity.

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, competition, advantage, differentiation, and risk helps students become more successful in the knowledge that remains 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

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 to the influence of PESTLE factors in decision-making. In Unit 5, students make decisions in Unit 5, saving, borrowing, and investing in Unit 5, and earning income in Unit 5—and explore in greater depth concepts such as taxes, risk, and insurance. Students practice interpreting a pay stub, opening a household budget, and analyzing how risk tolerance, time horizon, and planning habits impact a household's ability to build long-term financial security.

Unit 5, students engage in a culminating Financial Advisor Project that combines their understanding of personal finance with their decision-making skills. Through the project, they prepare financial 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 the opportunities around saving and investing.

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. Evaluating issues such as debt, time of income, and financial literacy. As part of the project, students examine potential sources of advice 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 that 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 analyzing a financial statement in a realistic scenario, students learn how to evaluate and make personal decisions (e.g., taking on excessive debt) and assess factors (e.g., housing or medical costs) that 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.

AP Business with Personal Finance • Course Framework

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*	AP Class Periods** (45 min each for the Business Case Project)
1.1 What Is a Business?	Business	Task 1: Identify and describe a customer's problem, need, or want.		4
1.2 Markets and Competitive Advantage	Product/Market	Task 2: Develop a plan to seek competitive advantage in a potential market.		4
1.3 Financial Factors and the Business Environment	Early Planning	Task 3: Apply the financial framework to evaluate the attractiveness and potential risks of a market.	Earning Income 12-4 Earning Income 12-6	
1.4 How Do Businesses Grow/Develop?	Options to Grow/Develop	Task 4: Develop a solution to address potential customer problems, needs, or wants. Task 5: Formulate and test a business hypothesis related to problem/solution fit.	Earning Income 13-11	8
1.5 Vision	Developing a Vision	Task 6: Develop a vision statement and mission statement.	Earning Income 12-3	3
1.6 Business Ethics				2
1.7 Organization, Rules, and Responsibilities			Earning Income 10-11	6
1.8 Supply Chains	Person 10-13	Task 7: Develop a production process and a supply chain plan.		5
UNIT 1 Cumulative Assessment				7
Business Canvas Project		Task 8: At the end of Unit 1, submit a business idea to pursue and write the market analysis.		7

*The personal finance standards listed refer to the National Standards for Personal Financial Education (2002). See the Appendix to add 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.

AP Business with Personal Finance • Course Framework

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

TOPIC 1.5
Vision

Required Course Content

LEARNING OBJECTIVE	ESSENTIAL KNOWLEDGE
XXX Explain how core values and core competencies shape business and individual decision making.	XXXX Core values are defined beliefs and principles that guide an individual's or business's actions. Examples of core values may include integrity, excellence, transparency, honesty, and reliability. XXXX Businesses communicate core values to all employees to a shared purpose and guide decision making to ensure a series of actions consistent with the business's beliefs and principles. XXXX Core competencies are an individual's or business's capabilities, skills, and expertise that contribute to their ability to outperform rivals and without competitive advantage. Examples of core competencies may include innovation, customer service, communication, ethical behavior, and efficiency. XXXX Businesses consider their core competencies when making decisions about which opportunities to pursue and how best to allocate resources to meet customer needs. XXXX Individuals consider their core values and core competencies when making decisions about which educational, career, and job opportunities to pursue.

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AP Business with Personal Finance • Course Framework

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

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.

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.

TOPIC 1.1

What Is a Business?

Required Course Content

LEARNING OBJECTIVE

1.1.A

Identify ways businesses address customers' problems, needs, and wants.

1.1.B

Distinguish between value creation and value capture.

ESSENTIAL KNOWLEDGE

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.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**1.3.A**

Describe the PESTEL factors that shape markets.

1.3.B

Explain how PESTEL factors influence business viability and career opportunities in a market.

ESSENTIAL KNOWLEDGE**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.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

1.3.B

Explain how PESTEL factors influence business viability and career opportunities in a market.

1.3.C

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

ESSENTIAL KNOWLEDGE

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.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

1.4.A

Describe strategies entrepreneurs and businesses use to generate new product ideas.

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.

ESSENTIAL KNOWLEDGE

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.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.

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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

LEARNING OBJECTIVE

1.5.B

Develop or evaluate a vision statement and/or mission statement based on a business's goals and values.

1.5.C

Describe the goals of businesses, social enterprises, and nonprofit organizations.

ESSENTIAL KNOWLEDGE

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.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****1.6.A**

Explain how and why businesses encourage ethical behavior.

1.6.B

Explain how business leaders respond to ethical dilemmas.

ESSENTIAL KNOWLEDGE**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.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

1.6.8

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

**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

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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LEARNING OBJECTIVE

1.7.B

Define the roles and responsibilities of sole proprietors and partners.

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.

ESSENTIAL KNOWLEDGE

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.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**1.7.D**

Describe the roles, responsibilities, and purposes of specialized departments in a business.

ESSENTIAL KNOWLEDGE**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**1.8.A**

Describe factors businesses consider when developing a production process.

1.8.B

Develop or describe a supply chain plan for a product.

ESSENTIAL KNOWLEDGE**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.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**1.8.B**

Develop or describe a supply chain plan for a product.

1.8.C

Explain how a business's competitive advantage strategy influences supply chain decisions.

ESSENTIAL KNOWLEDGE**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.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	sigg'i'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.



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

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LEARNING OBJECTIVE

2.1.B

Use market segmentation to identify target customers and develop a customer profile.

2.1.C

Describe the purpose of building customer relationships and develop a plan to build customer relationships.

ESSENTIAL KNOWLEDGE

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.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**2.1.C**

Describe the purpose of building customer relationships and develop a plan to build customer relationships.

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.

ESSENTIAL KNOWLEDGE**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.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

2.2.A

Explain why and how consumers make buying decisions.

2.2.B

Describe the impact of legal and technological factors on consumer purchasing patterns.

ESSENTIAL KNOWLEDGE

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.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

2.2.C

Evaluate sales tactics that draw upon Cialdini's principles of influence, and develop a sales tactic.

ESSENTIAL KNOWLEDGE

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**2.2.C**

Evaluate sales tactics that draw upon Cialdini's principles of influence, and develop a sales tactic.

ESSENTIAL KNOWLEDGE**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**2.3.A**

Explain why businesses conduct market research.

2.3.B

Conduct and interpret secondary-source research to assess a market opportunity.

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.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.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.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**2.3.C**

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

2.3.D

Develop and interpret data visualizations that reflect market research findings.

ESSENTIAL KNOWLEDGE**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.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.

continued on next page

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.

continued on next page

LEARNING OBJECTIVE

2.4.A

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

2.4.B

Develop and evaluate branding for a business or product.

ESSENTIAL KNOWLEDGE

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.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.

**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.

continued on next page

LEARNING OBJECTIVE

2.5.A

Develop and evaluate a pricing strategy.

2.5.B

Evaluate how market conditions affect a business's pricing power.

ESSENTIAL KNOWLEDGE

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.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.

continued on next page

LEARNING OBJECTIVE**2.5.C**

Describe legal constraints that limit pricing power.

ESSENTIAL KNOWLEDGE**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**2.6.B**

Select and evaluate potential marketing channels for a product.

ESSENTIAL KNOWLEDGE**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.

TOPIC 2.7

Promotion and Marketing Communications

**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.

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.

continued on next page

LEARNING OBJECTIVE

2.7.A

Develop or evaluate a marketing campaign.

2.7.B

Explain how digital marketing tools have changed business interactions with customers.

ESSENTIAL KNOWLEDGE

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.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).

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

continued on next page

LEARNING OBJECTIVE**3.1.A**

Describe reasons consumers save, and identify barriers to saving.

3.1.B

Explain how PESTEL factors can impact the value of savings and incentives to save.

3.1.C

Develop or evaluate a savings plan.

ESSENTIAL KNOWLEDGE**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.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.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.

continued on next page

LEARNING OBJECTIVE

3.1.C

Develop or evaluate a savings plan.

ESSENTIAL KNOWLEDGE

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



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.

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

continued on next page

LEARNING OBJECTIVE

3.2.A

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

3.2.B

Explain how a lender evaluates the creditworthiness of a potential borrower.

3.2.C

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

ESSENTIAL KNOWLEDGE

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.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.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.

continued on next page

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

3.3.A

Explain why businesses and consumers track and evaluate financial data.

ESSENTIAL KNOWLEDGE

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.



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

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LEARNING OBJECTIVE**3.3.A**

Explain why businesses and consumers track and evaluate financial data.

3.3.B

Describe the roles of accounting and finance departments in the preparation, reporting, and use of financial information.

ESSENTIAL KNOWLEDGE**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.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

3.4.A

Determine startup costs associated with launching a new business or product.

3.4.B

Describe expenses associated with operating a business.

ESSENTIAL KNOWLEDGE

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.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.



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

continued on next page

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

3.5.A

Explain why businesses seek external financial capital.

ESSENTIAL KNOWLEDGE

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**3.5.B**

Determine potential sources of financial capital for a business.

3.5.C

Describe potential benefits and risks to lenders and investors who provide financial capital to businesses.

ESSENTIAL KNOWLEDGE**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.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**3.5.C**

Describe potential benefits and risks to lenders and investors who provide financial capital to businesses.

ESSENTIAL KNOWLEDGE**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**3.5.D**

Develop and evaluate a pitch to prospective lenders or investors.

ESSENTIAL KNOWLEDGE**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.



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

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LEARNING OBJECTIVE

3.6.A

Determine and describe components of a business income statement.

3.6.B

Evaluate the financial performance of a business using income statement information.

ESSENTIAL KNOWLEDGE

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.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**3.6.B**

Evaluate the financial performance of a business using income statement information.

3.6.C

Explain why and how businesses and consumers predict and plan for future income and expenses.

ESSENTIAL KNOWLEDGE**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 = $\frac{(\text{Current Value} - \text{Initial Value})}{\text{Initial Value}} \times 100$.

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

3.6.C

Explain why and how businesses and consumers predict and plan for future income and expenses.

3.6.D

Develop an income statement or projected income statement for a business.

ESSENTIAL KNOWLEDGE

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.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

**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.

Required Course Content

LEARNING OBJECTIVE**3.7.A**

Determine and describe components of a business balance sheet.

ESSENTIAL KNOWLEDGE**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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LEARNING OBJECTIVE

3.7.A

Determine and describe components of a business balance sheet.

3.7.B

Interpret the information in a business's 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.

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**3.7.B**

Interpret the information in a business's balance sheet.

3.7.C

Describe the purpose of determining personal net worth.

ESSENTIAL KNOWLEDGE**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.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.B.B**

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

ESSENTIAL KNOWLEDGE**3.B.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.B.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**3.9.A**

Explain why an individual or a business might be incentivized to engage in unethical financial management and reporting practices.

3.9.B

Explain how laws and professional codes of conduct encourage ethical behavior by accounting and financial managers.

ESSENTIAL KNOWLEDGE**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.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

3.9.B

Explain how laws and professional codes of conduct encourage ethical behavior by accounting and financial managers.

ESSENTIAL KNOWLEDGE

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.

4.1.B

Identify and demonstrate effective leadership and business communication skills.

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.

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.



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

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LEARNING OBJECTIVE

4.1.B

Identify and demonstrate effective leadership and business communication skills.

4.1.C

Explain why businesses need to hire and develop employees with a variety of core competencies.

4.1.D

Explain how businesses compensate, motivate, and seek to retain high-quality employees.

ESSENTIAL KNOWLEDGE

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.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.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

4.1.D

Explain how businesses compensate, motivate, and seek to retain high-quality employees.

ESSENTIAL KNOWLEDGE

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**4.2.A**

Describe key performance indicators (KPIs) used to evaluate business performance.

4.2.B

Develop or interpret financial and nonfinancial KPIs to monitor a business's financial health and progress toward goals.

ESSENTIAL KNOWLEDGE**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.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

4.3.B

Apply a deliberative process to make a business decision.

ESSENTIAL KNOWLEDGE

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

4.4.A

Describe Michael Porter's Five Forces strategic framework.

4.4.B

Apply Porter's Five Forces to evaluate the competitiveness of a market.

ESSENTIAL KNOWLEDGE

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.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

4.4.B

Apply Porter's Five Forces to evaluate the competitiveness of a market.

4.4.C

Describe SWOT analysis factors used to evaluate business viability.

ESSENTIAL KNOWLEDGE

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.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

4.4.C

Describe SWOT analysis factors used to evaluate business viability.

4.4.D

Apply SWOT analysis to assess a business's internal capabilities and external opportunities and threats.

ESSENTIAL KNOWLEDGE

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.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

5.1.A

Identify types of taxes paid by individuals.

5.1.B

Explain why individuals and households pay different amounts of federal income tax in the U.S.

5.1.C

Determine and describe components of an individual's pay stub.

ESSENTIAL KNOWLEDGE

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.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.1

An individual's pay stub includes gross income (pay), mandatory and voluntary deductions, and net income (pay).

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LEARNING OBJECTIVE

5.1.C

Determine and describe components of an individual's pay stub.

ESSENTIAL KNOWLEDGE

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

5.2.B

Describe types of insurance individuals use to protect themselves from financial loss.

5.2.C

Recommend appropriate insurance coverage based on an individual's or household's risk tolerance and needs.

ESSENTIAL KNOWLEDGE

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.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.

continued on next page

LEARNING OBJECTIVE

5.2.C

Recommend appropriate insurance coverage based on an individual's or household's risk tolerance and needs.

5.2.D

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

ESSENTIAL KNOWLEDGE

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.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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