



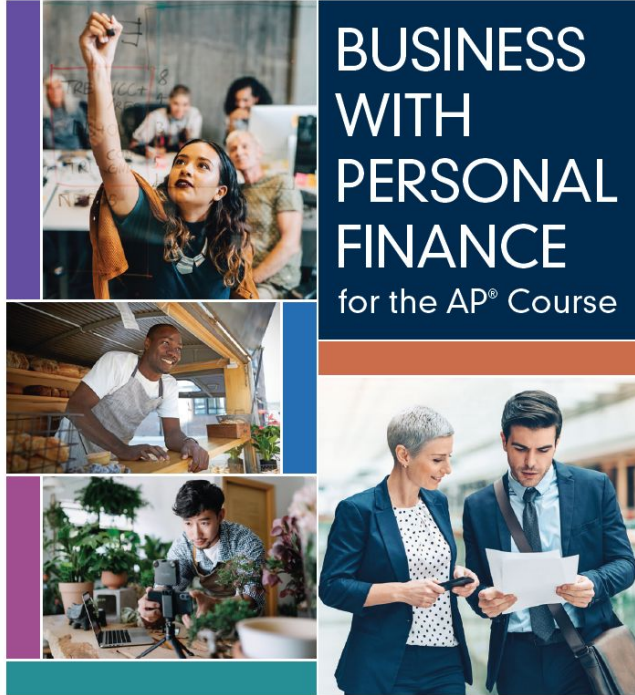
# Future-Proofing Students: How to Tackle the New AP<sup>®</sup> Business with Personal Finance Course

Dave Anderson & Luiz Bravim

## Agenda

- Course Overview
- About the Exam
- Business Canvas project
- About the Program & Resources
- Case Studies
- *Focus: PBL & Field Testing Experience*





David A. Anderson • Heidi M. Neck • Christopher P. Neck • Emma L. Murray



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## Dave Anderson

- Paul G. Blazer Professor of Business and Economics at Centre College
- Involved in AP® programs and leadership since 1994
- National Advisory Board for AP® Business Principles
- Chief reader for AP® Microeconomics for five years
- Authored or co-authored dozens of scholarly articles and 18 books, including *Economics for the AP® Course*, *Business with Personal Finance for the AP® Course*, *Environmental Economics and Natural Resource Management*, and *The Light in the Library Basement: A Personal Finance Mystery Story*



## Luiz Bravim

- Director of Instruction at Cardinal Gibbons High School in Ft. Lauderdale, where he has taught for over a decade
- Consultant for AP® World History, AP® European History, and AP® Business with Personal Finance
- A long-time AP® exam reader who frequently presents at conferences
- Has taught in Korea, China, and all over the U.S.
- Luiz believes every student should have access to rigorous college-level curriculum.

# Course Units

Unit 1: Businesses, Competition, New Ideas

Unit 2: Marketing

Unit 3–Part I: Personal Saving & Borrowing

Unit 3–Part II: Business Finance & Accounting

Unit 4: Management and Strategy

Unit 5: Personal Goals, Budgeting, Investing

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# Project Based Learning

## Business Canvas Project

### The Business Model Canvas



A Business Model Canvas helps everyone from new entrepreneurs to corporate leaders paint a picture of how a business provides value to customers and earns profit.

#### The Building Blocks of Your Business

In the AP<sup>®</sup> Business with Personal Finance course, you will apply the business concepts you've learned to an entrepreneurial project. You will illustrate the building blocks of that project with a tool that helps entrepreneurs and executives describe, visualize, and experiment with their business plans on a single page. This strategic management tool—a **Business Model Canvas (BMC)**—is a simple overview of how a business creates, delivers, and captures value. This appendix will familiarize you with a typical Business Model Canvas, a modified version of which you will apply to your project.

#### TERMS TO KNOW

**Business Model Canvas (BMC):**  
An overview of how a business creates, delivers, and captures value.

The more general term *business model* refers to a plan for the operation and profitability of a business. A business model comprises four main elements: the *offering* (what is sold), the *customers* (to whom it is sold), the *infrastructure* (how the product is made and delivered), and the *financial stability* (how the business makes money). Swiss business theorist Alexander Osterwalder proposed the BMC as a one-page plan that breaks down the four



Business Canvas Project  
appendix from  
*Business with Personal  
Finance for the AP<sup>®</sup> Course*

# Exam Structure

Multiple Choice:

60 Questions

70 min.

60%

Stimulus-based

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# Exam Structure

Free Response:

Part A: Exam-Day Validation



# Exam Structure

Free Response:

Part A: Exam-Day Validation

1 Question	25 min.	15%
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# Exam Structure

Free Response:

Part B

3 Questions

65 min.

25%

# Exam Structure

Free Response:

Part B

FRQ 2: Personal Finance

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# Exam Structure

Free Response:

Part B

FRQ 2: Personal Finance

FRQ 3: Business Concept Application

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# Exam Structure

Free Response:

Part B

FRQ 2: Personal Finance

FRQ 3: Business Concept Application

FRQ 4: Business Decision

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# Field Testing





# BUSINESS WITH PERSONAL FINANCE

for the AP<sup>®</sup> Course



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MODULE

# 3.6

## The Income Statement

**LG** LEARNING GOALS

**In this module, you will learn to:**

**3.6.A** Describe the elements of an income statement

**3.6.B** Assess a business's financial performance based on its income statement

**3.6.C** Discuss the purposes of projecting future revenues and costs

**3.6.D** Explain the methods for developing income statements and projected income statements



NEW press/Getty Images

Whether a business appears prosperous or pathetic on the outside, it's wise for stakeholders to look behind the scenes and study its financial statements before making important decisions.

## CASE STUDY

## Merck's Pharmaceutical Marketing



Timon Schneider / Alamy Stock Photo

Businesses like Merck try to develop products that consumers need or want. Whether those products are popular depends on consumer behavior.

Merck, Keytruda, was found to reduce the risk of early lung cancer returning in patients who had already undergone lung surgery by 24%.

The pharmaceutical market is complex. Patients, families, healthcare providers, and insurance companies are involved in choosing, prescribing, using, and paying for drugs. Healthcare providers can recommend or oppose certain pharmaceutical treatments. Insurance coverage can dictate what drugs are affordable to patients. And before any of those decisions are made, the U.S. Food and Drug Administration (FDA) requires that three phases of clinical trials show that new drugs are safe, effective, and high quality.

There has been much debate over the positive and negative effects of direct-to-consumer (DTC) advertising for pharmaceuticals. The United States and New Zealand are the only countries that allow drug companies to advertise prescription drugs directly to con-

**AP<sup>®</sup> Skills TIP**

One of the key skills for entrepreneurs is the ability to test product ideas. Failure to test hypotheses and validate ideas can doom a project in class or in the real world. As you practice or explain entrepreneurship for this class, note the importance of validation to improve projections of whether demand for a product will be sufficient to provide worthwhile profit.

**AP<sup>®</sup> Exam TIP**

Don't confuse accounts payable and accrued expenses. Although they are similar concepts, accounts payable are generally purchases made from suppliers for which an invoice specifies the amount due. Accrued expenses are typically for operating expenses for which there is no invoice.

## Module 2.2 Review

### Learning Goals

#### TERMS TO KNOW

**marketing campaign:** A coordinated effort to publicize a product or build brand awareness and attract new customers.

**promotional mix:** The set of marketing tools a business uses to communicate with potential customers, build brand loyalty, and increase sales.

**media advertising:** The promotion of goods, services, or brands to a wide audience through channels of mass communication.

#### LG How and why do consumers make purchasing decisions?

- **Consumer behavior** is the set of selection, purchase, and consumption activities consumers use to address their needs and wants. Routine and inexpensive purchasing decisions are often made quickly, but many consumers apply a rational decision-making process of systematically evaluating product options when making more consequential decisions.
- Values that consumers place on products include the *functional value* of their problem-solving ability and the *emotional value* of how they make consumers feel. What consumers want and need differs on the basis of many types of factors.
- **Personal factors** are characteristics of consumers that help to determine what individuals need and want as well as what they have the ability to buy.
- **Psychological factors** are mental and emotional processes that influence what consumers feel is important to buy.
- **Sociological factors** are social and cultural influences that help determine what consumers find appropriate, desirable, and acceptable to buy.
- **Situational factors** are temporary influences specific to the consumer's circumstances or conditions that affect purchasing decisions.

#### LG How do legal and technological factors influence consumer behavior?

- Businesses study **purchasing patterns**, which are habits or trends in consumer behavior over time.
- Key determinants of purchasing patterns include laws, policies, and technology. Many laws and

policies are designed to steer consumers away from fraudulent and unsafe products and toward products with potential benefits. Technology allows consumers to shop almost anywhere at any time, thanks to online stores and smartphones.

#### LG What are Cialdini's seven principles of influence and how do they affect marketing decisions?

- **Consumer psychology** is the study of how and why consumers make purchasing decisions. Psychologist Robert Cialdini offers seven principles of influence that businesses consider when making marketing decisions.
- According to **the scarcity principle**, consumers want things more when they are perceived as being rare.
- **The authority principle** says that consumers are more likely to buy something if it is endorsed by an authority figure.
- **The consensus principle** says that consumers are motivated to buy when their social group is in general agreement about the desirability of the product.
- **The liking principle** says that consumers are more inclined to make purchases from people they like or can relate to.
- **The reciprocity principle** says that consumers feel more obligated to buy something when the seller gives them something of value.
- **The consistency principle** says that consumers are attracted to products that are consistent with their self-image and values.
- **The unity principle** says that consumers are motivated to purchase a product by feelings of belonging to a group that purchases that product.

## ... unit-ending AP® Practice Questions

### Multiple-Choice Questions

Each unit-ending review includes multiple-choice questions that ask you to examine short text excerpts, graphs, or data sets and apply what you have learned over the course of the preceding modules. Practicing these stimulus-based questions builds the quick analysis skills you will need on the exam.

**2016 Unit 2 Writing**

4. Which type of evidence data would be most useful to a new smartphone firm seeking to design its brand with its intended customer "way of thinking in a national or global sense"?

- demographic data
- marketing data
- psychographic data
- geographic data

5. Refer to Figure 12.3 and CD 12 when answering Questions 2–4, which relate to the e-reader market and reader sales.

4. Which type of research method would be most relevant to a movie theater owner seeking to find out how a large number of potential customers look about a theater production?

- focus group
- experiment
- A/B testing
- survey

6. Based on Figure 12.5, which is the most accurate statement regarding U.S. box office revenue between 2010 and 2017?

- Revenue grew during the period between 2010 and 2013.
- Revenue remained constant during the period between 2010 and 2013.
- Revenue declined during the period between 2010 and 2013.
- Revenue initially increased, then decreased during the period between 2010 and 2013.

7. Based on Figure 12.4, which statement is most accurate regarding the number of movie theater ticket sales per person in the period from 2012 to 2017?

- The average person bought more tickets in 2012 than in 2013.
- The average person bought fewer tickets in 2012 than in 2013.
- The average person spent more money at the movie theater in 2012 than in 2013.
- The average person spent less money at the movie theater in 2012 than in 2013.

8. Suppose market researchers discover that the average consumer is willing to spend up to \$6 more on movie tickets that come with a premium experience. The premium experience includes reclining seats, the option for food and drink service at your seat, and the ability to select seats in advance. If the majority of movie theater-goers do not offer the premium experience, which strategy would best position a film operator looking to fill market research for its movie theater?

- cost leadership
- low market penetration
- product differentiation
- product differentiation

**2016 Unit 2 Writing**

### Free-Response Questions

Unit-ending reviews also include free-response questions that require extended answers. These prompts may be based on real case studies, examples, or industry data, and they challenge you to explain, analyze, and support your reasoning with evidence.

**UNIT 2 | AP® Exam Practice Questions** Preparing for the AP Exam

**Multiple-Choice Questions**

The market for smartphones rose 227 million units in 2014. The two largest smartphone makers are Samsung and Apple. Refer to Figures 12.1 and 12.2 when answering Questions 1–4.

1. According to Figure 12.1, Samsung smartphones are most in demand from which of the following geographic groups?

- Asia
- Europe
- Latin America
- North America

2. Based on Figure 12.2, which statement would be most accurate regarding the sales of smartphones shipped to the world market of Japan?

- Samsung and Apple were responsible for less than half of smartphone shipments in that time.
- Samsung and Apple were responsible for the majority of smartphone shipments in that time.
- Samsung and Apple did not see competition from other firms in 2012.
- Samsung and Apple's combined market share of the smartphone market closely correspond to the fourth quarter of 2012.

3. Samsung and Apple were responsible for the majority of smartphone shipments in that time.

4. Samsung and Apple did not see competition from other firms in 2012.

5. Samsung and Apple's combined market share of the smartphone market closely correspond to the fourth quarter of 2012.

**2016 Unit 2 Writing**

### Free-Response Questions

Refer to Figure 12.3 when answering Questions 1–4.

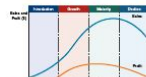


Figure 12.3 The Product Life Cycle

- Identify and explain one reason why sales growth might slow during the maturity phase of a product's life cycle.
- Describe what needs to happen to sales revenue when a product is in the growth phase of its life cycle.

- Suppose a food delivery company with a smartphone app that uses real-time location information to monitor its fleet faces competition from a second, rival app offering competitive service, and sales have declined for the past year. What marketing strategy can the company use to stimulate demand for its product?
- Explain whether mobile advertising or personal selling would be preferable for promoting the food delivery company described in the scenario from Question 1.

Answer Concept Application Questions 1–2 by using information from Figure 12.3 and CD 2, when answering Question 3–2.

- Beats Electronics, LLC is a consumer audio products manufacturer headquartered in Culver City, California. Founded in 2006 by music producer and rapper Dr. Dre and venture capitalist/producer Jimmy Iovine, the company sells the Beats Studio Pro™ Premium Wireless Noise Cancelling Headphones for \$349.99.

Beats Studio Pro™ Premium Wireless Noise Cancelling Headphones



Figure 12.4 Product Features of Beats Studio Pro Headphones

**2016 Unit 2 Writing**

## AP<sup>®</sup> Skills Workshop: Decision Making

### What are the Five Course Skills for this AP<sup>®</sup> Course?

There are five skills you'll need to build for this course. Two of them are Business Skills: *Concept Application* and *Entrepreneurship*. The other three are Professional and Leadership Skills: *Decision Making*, *Collaboration*, and *Communication*. You will find five AP<sup>®</sup> Skills Workshops in this text—one at the end of each of the five units, with each Workshop addressing one of the Course Skills. In this workshop, we will focus on *Decision Making*.

### Identify *Decision Making*

It's essential to practice not only thinking like an entrepreneur, but also making the kinds of complex decisions that business owners and managers face every day. Often, there is no perfect decision given limited information, capital, and a constantly shifting business environment. **Decision making** is the process by which an entrepreneur, manager, or business unit identifies opportunities or problems and recommends one or more solutions to address them.

### Understand *Decision Making*

In order to make effective business decisions, entrepreneurs should be able to describe the various factors (market, internal, external) that may impact their business. They should be able to explain the ways in which these factors create opportunities or problems for stakeholders. One example of establishing decision-making criteria is use of the PACED model, which consists of identifying the *problem*; listing the *alternatives*; naming the *criteria* used to evaluate the alternatives; *evaluating* the alternatives; and making a *decision*.

Often, business leaders will use financial statements to help guide decision making. Let's consider an example. Suppose Cate Ruiz starts a pet-boarding facility, Cate's Doggy Day Care, for dogs in her town. In the business's sixth year of operations, Cate finds that she has outgrown the space and considers opening a second location in a neighboring town to handle increased demand.

**Table U3-5** shows the cash flow statement for this business, which will be key in guiding Cate's decision making.

# The Business Model Canvas



alexey\_ds/Getty Images

A Business Model Canvas helps everyone from new entrepreneurs to corporate leaders paint a picture of how a business provides value to customers and earns profit.

# Teaching with Cases

A truly engaging way to put students in the driver's seat to navigate important business decisions.

# Teaching with Cases

- Longer cases can be read as homework.
- I also have them complete a worksheet with several tough questions.
- Shorter “caselets” can be read in class.

## CASE STUDY The Just-Right Amount of Insurance Coverage



valentinusarov/Getty Images

Figuring out the right amount of insurance coverage is a personal process influenced by many aspects of the insured person's life.

Martine is 26 years old and recently finished her master's degree in early education. A few months later, she was thrilled to land a job as Assistant Director of Bloom Academy, a big daycare center in a city several hours away. Martine lived with her parents during college and graduate school, but she's just moved into a rental apartment closer to her new job. Her new neighborhood is pleasant, but there have recently been some break-ins in her building and nearby. She spent some of her small savings on a used car, since she has a thirty-minute commute to work and wants to be able to visit her family easily. She's currently saving money to buy a new laptop, which she'll need both for work and for personal tasks.

Growing up, Martine's household was financially unstable. Her parents, who often couldn't find work in their small town, had to prioritize expenditures on basic necessities such as food and clothing over the purchase of adequate insurance to protect against the risk of unexpected events. They were *underinsured*—they had some insurance coverage, but not nearly enough to protect them from loss if something went wrong. This led to some financial catastrophes over the years, including several car accidents and medical emergencies that landed the family in serious debt. Martine wants to do things differently. She's determined to leverage her education and her ability to relocate to a place with stable work

opportunities, and she wants to protect herself from unforeseen events that could cause financial ruin.

Martine soon finds herself overwhelmed by the available insurance options. Her new upstairs neighbor, an insurance agent, has tried aggressively to sell Martine an expensive life insurance policy. Bloom Academy offers its employees an HMO or a PPO option for health insurance. Martine isn't sure which to choose. Her considerations include a chronic condition that her beloved primary care doctor and a particular specialist help her to manage. She can't decide how much auto insurance to purchase for her car, which is 15 years old and worth a few thousand dollars. And while her new landlord strongly suggests renter's insurance for tenants, she isn't sure whether to buy it and, if so, how much coverage she'll need.

Martine wants to be sure she has the just-right amount of insurance coverage—enough to provide appropriate protection from future losses, but not more than she actually needs. She decides to make an appointment with an insurance advisor to discuss her options. Imagine that you're this advisor, tasked with helping Martine determine her insurance needs and providing advice.

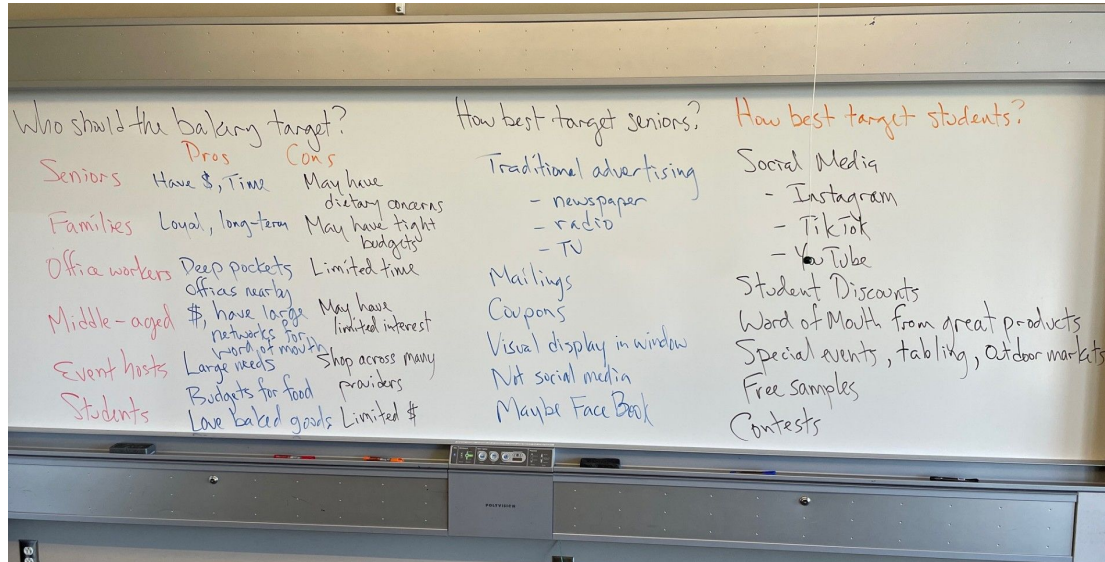
### Apply Your AP® Skills

1. Given Martine's specific situation, what would you advise her to do regarding renter's insurance and auto insurance?
2. What advice would you give Martine about health insurance?
3. Based on the information provided, how would you describe Martine's risk tolerance, and how might her experiences growing up have affected it? How would you take Martine's risk tolerance into account when guiding her decisions?
4. What extra steps might Martine take to protect her bigger purchases, such as her phone and the laptop she is saving up to buy?
5. Would you advise Martine to purchase life insurance from her neighbor? And if she were to do so, how could she avoid becoming a victim of insurance fraud?

# Teaching with Cases

- Write out all student input
  - Helps contributors feel heard
  - Helps distracted students keep up
  - Old ideas spur new ideas

Fill the board with student input!



# Teaching with Cases

- Explore **pros and cons** of controversial issues
  - Provides balance
  - Allows cost-benefit analysis
  - Gives students more perspectives
  - Helps keep the teacher in neutral territory

Should a business place a finite dollar value on human lives saved by a product safety feature?

## Pros

- Only a finite value allows products with positive-but-low risks to be made
- It permits cost/benefit analysis
- No one can spend an infinite amount to save lives

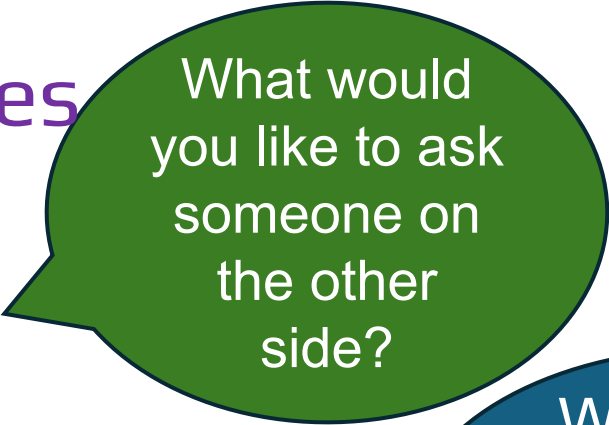
## Cons

- Companies have valued lives too low in the past (as in the Ford Pinto case)
- It seems inhumane
- It may cause PR problems


Be careful about taking sides!

# Teaching with Cases

- Encourage **friendly debate**
  - Stir things up
  - But not too much!
  - Get students thinking on their feet
  - Ask them to apply the course content



What would you like to ask someone on the other side?



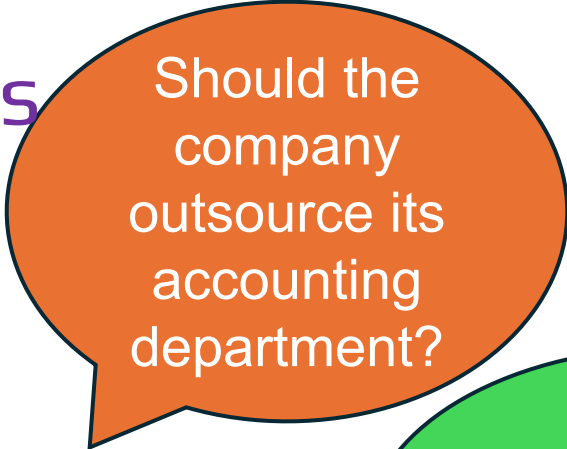
Who would take a different approach?



Which motivation for ethical business practices best applies here?

# Teaching with Cases

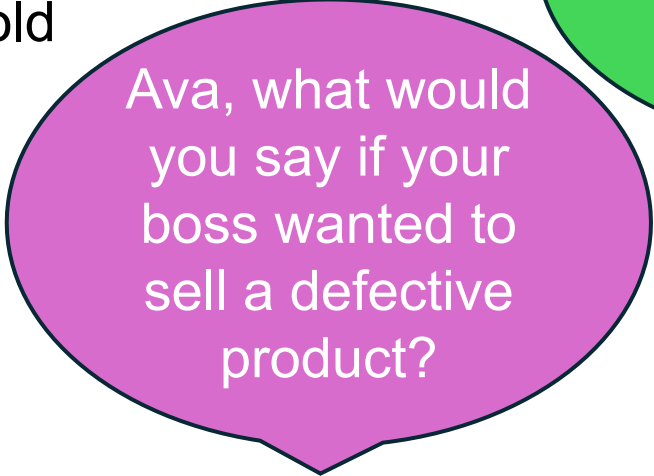
- Don't jump in too quickly.
  - Awkward silence can be motivating
  - Let them stew
  - After a long wait, cold call or simplify the question



Should the company outsource its accounting department?



What marketing strategy is best?



Ava, what would you say if your boss wanted to sell a defective product?

# Teaching with Cases

- Consider **Think-Pair-Share**
  - Allows students with low confidence to test their ideas
  - Starts the conversation at a low-stakes (two-person) level
  - Helps get a tough conversation going



# Teaching with Cases

- For more fun teaching with cases, consider **workshops** available online or in person.



SEMINAR IN-PERSON

**Coming Soon: Teaching with Cases**

Registration Opening Soon

Harvard Business School, dates TBD



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