Guided Notes — AP Business with Personal Finance 2027

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One compact fill-in-the-blank sheet for each of the 27 content chapters. Every sheet is built from that chapter's KEY CONCEPT boxes and core content, so completing a sheet is a fast check that you own the chapter's Essential Knowledge.

How to use these sheets

- **Before reading:** try a sheet cold to find out what you already know. The blanks you can't fill are your reading targets.
- **After reading (recommended):** close the book, fill in every blank from memory, then check the key at the bottom of the sheet. Anything you missed goes back on your review list.
- **Before the exam:** re-do the sheets for your weakest units. If you can fill a sheet clean, that chapter is exam-ready.
- **Apply It boxes** ask you to run the chapter's framework on a real business you know (or your own finances). Doing this out loud or on paper is what turns a memorized definition into an FRQ-ready explanation.

Each sheet lists the official framework topics it covers, and blanks tied to a specific Essential Knowledge statement carry the EK code. Answer keys are printed at the bottom of each sheet — cover them while you work.

Chapter 1 Guided Notes — What Is a Business?

Framework: Topic 1.1 | LOs 1.1.A, 1.1.B

Fill in each blank from memory first. Check the key at the bottom only after you finish the sheet.

1. Any organization that produces and/or distributes goods and/or services — no matter its size, and whether it operates face-to-face or virtually — counts as a ________. (EK 1.1.A.1)
2. Sneakers and textbooks are tangible goods; a haircut or an Uber ride is an intangible ________.
3. The person or entity who actually purchases a good or service is the ________. (EK 1.1.A.2)
4. The person who ultimately uses the product — like the kid eating the Lunchables a parent bought — is the ________. (EK 1.1.A.2)
5. When you spot a gap between a customer problem and any satisfying solution, you have found a market ________. (EK 1.1.A.3)

6. A business achieves ________ fit when its product directly addresses the customer problem it set out to solve — and customers actually buy and come back. (EK 1.1.A.3)
7. Because no business can serve everyone, businesses must ________ which specific customers they will serve. (EK 1.1.A.3)
8. The worth or benefit a product or service provides to customers is called ________. (EK 1.1.B.1)
9. Every buyer runs the same mental equation: “Is what I get worth what I ________?”
10. Providing a product or service that responds to customer problems, needs, or wants is value ________. (EK 1.1.B.2)
11. Charging a price that is higher than the cost to produce the product is value ________. (EK 1.1.B.3)
12. Value creation asks “What are we doing for the customer?”; value capture asks “How do we ________ ourselves financially?”
13. Don’t confuse the two money terms: total money taken in from sales is revenue, while what remains after subtracting all costs and expenses is ________.
14. A startup that gives away an amazing free product with no revenue model creates value but never ________ it — and eventually goes bankrupt.

> **APPLY IT:** Pick a business you paid this week. In two sentences, name its customer and its consumer (are they the same person?), then state one way it creates value and one way it captures value.

Answer Key: 1. business · 2. service · 3. customer · 4. consumer · 5. opportunity · 6. problem-solution · 7. select (choose) · 8. value · 9. pay · 10. creation · 11. capture · 12. sustain · 13. profit · 14. captures

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Chapter 2 Guided Notes — Markets and Competitive Advantage

Framework: Topic 1.2 | LOs 1.2.A, 1.2.B

Fill in each blank from memory first. Check the key at the bottom only after you finish the sheet.

1. Any setting where buyers and sellers interact to exchange goods and/or services is a ________. (EK 1.2.A.1)
2. Markets can be local, regional, or global — and physical or ________. (EK 1.2.A.1)
3. A transaction where both buyer and seller participate willingly, so both walk away better off, is a ________ exchange. (EK 1.2.A.2)
4. In the price tug-of-war, sellers pull for higher prices to maximize profit while buyers pull for ________ prices to maximize savings. (EK 1.2.A.3)
5. With many buyers and sellers offering similar products, competition pushes prices toward a ________ market price. (EK 1.2.A.4)
6. The ability to outperform rivals — shown by increased market share and/or greater profits — is a competitive ________. (EK 1.2.B.1)
7. Market competitiveness depends on the number of rivals, the degree of product ________, and price dynamics. (EK 1.2.B.2)
8. The level of competitiveness in a market determines the ________ a business should pursue. (EK 1.2.B.3)
9. Gasoline, wheat, and lumber are largely identical across sellers, so they trade in a ________ market. (EK 1.2.B.4)
10. In that kind of market, businesses compete primarily on ________ and lowest price. (EK 1.2.B.4)

11. In a differentiated market, businesses compete on quality, features, service, price, ________, or a combination of these. (EK 1.2.B.5)
12. Obstacles like patents, regulations, high startup costs, and exclusive supplier access that keep newcomers out of a market are barriers to ________. (EK 1.2.B.6)
13. Patents, trademarks, and copyrights are all forms of ________ property. (EK 1.2.B.6)
14. When established firms produce at massive volume and offer prices smaller rivals can't match, they enjoy economies of ________.
15. A single seller in a market with no close substitutes is a ________. (EK 1.2.B.7)
16. A competitive advantage doesn't last forever — competitors ________ successful strategies over time, so it must be protected by continuous innovation or hard-to-copy barriers.

> **APPLY IT:** Choose a product you bought recently. Decide whether it competes in a commodity or differentiated market, then name the specific lever (efficiency, quality, features, service, price, or marketing) its seller uses to win — and one barrier that keeps new rivals out.

Answer Key: 1. market · 2. virtual · 3. voluntary · 4. lower · 5. prevailing · 6. advantage · 7. differentiation · 8. strategy · 9. commodity · 10. efficiency · 11. marketing · 12. entry · 13. intellectual · 14. scale · 15. monopoly · 16. imitate (copy)

Chapter 3 Guided Notes — PESTEL Analysis

Framework: Topic 1.3 | LOs 1.3.A, 1.3.B, 1.3.C

Fill in each blank from memory first. Check the key at the bottom only after you finish the sheet.

1. PESTEL's six factors are Political, Economic, Social, ________, Environmental, and Legal. (EK 1.3.A.1)
2. All six PESTEL factors are ________ forces — they sit outside a business's direct control yet shape its opportunities and threats. (EK 1.3.A.1)
3. Trade policies, taxes and subsidies, mandates, bans, and political stability are all ________ factors. (EK 1.3.A.2)
4. A 25% tariff on imported steel would be classified under the ________ factor.
5. On the exam, classify interest rates and inflation as ________ factors — not Political. (EK 1.3.A.3)
6. Inflation matters to businesses because it erodes consumers' ________ power. (EK 1.3.A.3)
7. Demographics, cultural norms, lifestyle trends, and population growth rates are ________ factors. (EK 1.3.A.4)
8. Internet access, automation capabilities, and the rate of innovation are ________ factors — the most disruptive category, creating new industries while making others obsolete. (EK 1.3.A.5)
9. Geography and climate, natural resource availability, waste management, and consumer views on sustainability are ________ factors. (EK 1.3.A.6)
10. The distinction to remember: political factors are government priorities and actions, while ________ factors are the specific laws and regulations businesses must follow. (EK 1.3.A.7)
11. Employment laws, consumer protection rules, IP protections, and ________ laws (which prevent monopolies) all fall under Legal.
12. Simply naming a PESTEL factor earns no exam credit — you must explain its specific ________ on the business.

13. Step one of a PESTEL market evaluation is to scan all ________ factors for the target market — skip none. (EK 1.3.C.1)
14. A market attractive to one business can be terrible for another, so ask whether the PESTEL environment aligns with your business ________. (EK 1.3.C.2)
15. When a PESTEL factor shifts against a business, the three common responses are adapt, relocate, and ________. (EK 1.3.C.3)
16. Nike shifting manufacturing from China to Vietnam is an example of the ________ response.

> **APPLY IT:** Run a mini-PESTEL on a business you visit weekly: name the two factors that most affect it right now, and be specific (not "economic" — say what is changing). Then state whether the business should adapt, relocate, or advocate in response to one of them.

Answer Key: 1. Technological · 2. external · 3. Political · 4. Political · 5. Economic · 6. purchasing · 7. Social · 8. Technological · 9. Environmental · 10. Legal · 11. antitrust · 12. impact · 13. six · 14. model · 15. advocate · 16. relocate

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Chapter 4 Guided Notes — Entrepreneurship and Business Ideas

Framework: Topic 1.4 | LOs 1.4.A, 1.4.B, 1.4.C

Fill in each blank from memory first. Check the key at the bottom only after you finish the sheet.

1. A person who develops a new business venture and assumes the associated risks in exchange for potential rewards is an ________. (EK 1.4.A.1)
2. Two halves define that role: creating something new and accepting ________ with no guarantee of payoff.
3. Creating something entirely new is an invention; applying an existing idea in a new way to create value is an ________ — and most successful businesses are built on the latter.
4. The five idea-generation strategies are observing, interviewing, surveying, market and technical research, and ________. (EK 1.4.A.2)
5. Watching how people behave and spotting frustrations — without asking questions — is the strategy called ________. (EK 1.4.A.2)
6. Interviews give depth; ________ give breadth by collecting data from many people quickly. (EK 1.4.A.2)
7. Studying industry reports, competitor analysis, and trends is ________ research, while investigating what new technologies make possible is technical research. (EK 1.4.A.2)
8. Entrepreneurial risk exists because developing a new product demands significant time, money, and effort with no guarantee of generating ________ or profits. (EK 1.4.B.1)
9. Per the Bureau of Labor Statistics, roughly 20% of new businesses fail in year one and about ________% fail within five years.
10. The value of the next-best alternative you give up when making a decision is the ________ cost.
11. The incentives that keep entrepreneurs going despite the risk: potential future profits, the satisfaction of solving a meaningful problem, and ________ for the product or industry. (EK 1.4.B.2)
12. Phase 1 of the design-thinking process is to identify and ________ a problem, need, or want with real evidence. (EK 1.4.C.1)
13. CB Insights found that ________% of failed startups cite "no market need" as the primary reason they died.
14. Phase 2 develops potential solutions through brainstorming, sketching, and ________. (EK 1.4.C.2)

15. The simplest version of a product containing only the core features needed to test the solution is a minimum ________ product. (EK 1.4.C.3)
16. For every feature you're tempted to add before launch, ask: "Can I test my core ________ without this?" If yes, leave it out.

> **APPLY IT:** Take a frustration from your own week and treat it as a market opportunity. Write one sentence for each design-thinking phase: the evidence you'd gather to validate the problem, the prototype you'd build, and what your MVP would deliberately leave out.

Answer Key: 1. entrepreneur · 2. risk · 3. innovation · 4. experimentation · 5. observing · 6. surveys · 7. market · 8. revenue · 9. 50 · 10. opportunity · 11. passion · 12. validate · 13. 35 · 14. prototyping · 15. viable · 16. hypothesis

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Chapter 5 Guided Notes — Vision, Mission, and Goals

Framework: Topic 1.5 | LOs 1.5.A, 1.5.B, 1.5.C

Fill in each blank from memory first. Check the key at the bottom only after you finish the sheet.

1. The fundamental beliefs and principles that guide a business's decisions and behavior are its core ________. (EK 1.5.A.1)
2. The specific capabilities, skills, and areas of expertise that give a business a competitive advantage are its core ________. (EK 1.5.A.2)
3. Values point a direction; competencies determine how ________ the business can move in that direction.
4. Individuals inside a business use both: values set the ethical boundaries, while competencies define what the organization can realistically ________.
5. The statement that expresses an organization's core values and aspirations — the ideal future it is working toward — is the ________ statement. (EK 1.5.B.1)
6. The statement that describes what a business does now and how it does it is the ________ statement.
7. Exam trap: if the question asks about current purpose, the answer is mission; if it asks about future ________, the answer is vision.
8. A vision statement rarely changes, while a mission statement evolves as the ________ evolves.
9. Employees, managers, and owners are ________ stakeholders.
10. Customers, investors, partners, and the community are ________ stakeholders. (EK 1.5.B.3)
11. Communicating vision and mission internally aligns the team's efforts; communicating externally builds ________ and shapes public perception.
12. The primary goal of a traditional business is to generate ________ for its owners or shareholders.
13. A business that pursues both profit and social objectives — like TOMS with its one-for-one model — is a ________ enterprise. (EK 1.5.C.2)
14. A nonprofit exists to serve the public ________ rather than to enrich owners. (EK 1.5.C.3)
15. Revenue that exceeds expenses in a given period is called a ________.
16. In a nonprofit, that extra money is not distributed to individuals — it is ________ into the organization's mission. (EK 1.5.C.3)

> **APPLY IT:** Pick a brand you admire and look up nothing. From what you know of its actions alone, draft a one-sentence vision and a one-sentence mission for it, then name one core competency it would need for those statements to be believable.

Answer Key: 1. values · 2. competencies · 3. effectively · 4. accomplish · 5. vision · 6. mission · 7. aspiration(s) · 8. business · 9. internal · 10. external · 11. trust · 12. profit · 13. social · 14. good · 15. surplus · 16. reinvested

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Chapter 6 Guided Notes — Business Ethics

Framework: Topic 1.6 | LOs 1.6.A, 1.6.B

Fill in each blank from memory first. Check the key at the bottom only after you finish the sheet.

1. Acting in ways that violate accepted moral standards or principles is ________ behavior. (EK 1.6.A.1)
2. Such behavior is most often driven by ________ structures that reward results without regard for how those results are achieved. (EK 1.6.A.1)
3. The root cause is usually pressure plus ________ — a quota to hit and an easy corner to cut.
4. At Wells Fargo, employees created millions of fake ________ because the system rewarded new openings and punished missed targets.
5. The four tools businesses use to promote ethical behavior: codes of conduct, ethics training, repercussions for violations, and leadership ________. (EK 1.6.A.2)
6. A written document spelling out ethical standards — specific rules, not vague slogans — is a code of ________. (EK 1.6.A.2)
7. Rules without consequences are just suggestions, which is why consistent ________ for violations keep a code credible. (EK 1.6.A.2)
8. Employees watch what leaders ________, not what they say.
9. Exam trap: behavior can be perfectly ________ and still be unethical — compliance and ethics are not the same thing.
10. Strong ethics is a competitive advantage: it attracts and retains customers and employees and builds brand ________. (EK 1.6.A.3)
11. That loyalty rests on trust, which takes years to build and ________ to destroy.
12. A situation where a business's core values conflict with other values, goals, or pressures is an ethical ________. (EK 1.6.B.1)
13. An employee stealing from the register is not a dilemma — it's simply ________; a true dilemma has two legitimate values pulling in opposite directions.
14. Examining how a decision affects every affected group — owners, managers, and employees inside; customers, government, and community outside — is ________ impact analysis. (EK 1.6.B.2)
15. One resolution approach weighs the tangible and intangible costs and benefits of each option for every stakeholder group — a ________ analysis. (EK 1.6.B.3)
16. The other approach chooses the action most consistent with the company's ________ and core values, even when it costs more — the reasoning behind Johnson & Johnson's 1982 Tylenol recall. (EK 1.6.B.3)

> **APPLY IT:** Think of a company recently criticized in the news. Identify the incentive structure that likely encouraged the behavior, then run a quick stakeholder impact analysis: name two internal and two external groups and one way each was affected.

Answer Key: 1. unethical · 2. incentive · 3. opportunity · 4. accounts · 5. modeling · 6. conduct · 7. repercussions (consequences) · 8. do · 9. legal · 10. loyalty · 11. minutes · 12. dilemma · 13. theft · 14. stakeholder · 15. cost-benefit · 16. vision

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Chapter 7 Guided Notes — Organization and Structure

Framework: Topic 1.7 | LOs 1.7.A, 1.7.B, 1.7.C, 1.7.D

Fill in each blank from memory first. Check the key at the bottom only after you finish the sheet.

1. A business owned and run by one person, with no legal separation between the owner and the company, is a ________. (EK 1.7.A.1)
2. Because there is no legal wall between owner and business, a sole proprietor faces ________ personal liability — a lawsuit can reach their car, savings, and house. (EK 1.7.A.3)
3. In a general partnership, a $50,000 debt created by one partner without the others' knowledge can legally be collected from ________ of the partners personally. (EK 1.7.A.3)
4. The owners of an LLC are officially called ________, and their personal assets are generally shielded from business debts and lawsuits. (EK 1.7.A.1)
5. A corporation is a legal entity separate from its owners and is governed by a ________ elected by shareholders. (EK 1.7.A.4)
6. Of the four structures, the corporation has the greatest access to funding because it can raise money by selling ________. (EK 1.7.A.4)
7. The core structural trade-off: sole proprietors and partners keep more control and profit but face limits on raising capital, while corporations trade owner control for far greater ________ potential. (EK 1.7.A.2)
8. Because a sole proprietor acts as marketer, accountant, salesperson, and operations manager all at once — and no one is an expert at everything — the business's ________ can be limited. (EK 1.7.B.1)
9. Effective partnerships divide roles according to each partner's ________, skills, and expertise, the way Warby Parker's co-founders split brand and operations. (EK 1.7.B.2)
10. Large businesses split their work into specialized ________, each focused on one function like marketing or finance. (EK 1.7.C.1)
11. Executive leaders such as the CEO, CFO, CTO, and COO are responsible for high-level ________ decisions and the company's overall direction. (EK 1.7.C.2)
12. The deep, specialized knowledge an employee builds within one business area — like a Target analyst mastering customer data — is called functional ________. (EK 1.7.C.3)
13. When a business hires an external company to handle a task outside its core competencies (like Nike contracting factories in Vietnam), it is ________. (EK 1.7.C.4)
14. The ________ department is the revenue engine: it promotes products, builds brand awareness, generates leads, and closes sales. (EK 1.7.D.1)
15. The ________ department creates new products and improves existing ones — it is the source of future growth. (EK 1.7.D.2)

16. Accounting looks backward and asks “Where did the money go?”, while Finance looks ________ and decides how to allocate money for the best return. (EK 1.7.D.4, 1.7.D.5)
17. Recruiting, hiring, training, compensating, and supporting employees is the job of the ________ department. (EK 1.7.D.6)

> **APPLY IT:** Pick a business you visited this week and identify its legal structure — then justify your guess using liability and funding clues. If you started your own version of that business with one friend, write one sentence on which structure you’d choose and what you’d be giving up to get it.

Answer Key: 1. sole proprietorship · 2. unlimited · 3. all · 4. members · 5. board of directors · 6. stock · 7. growth · 8. effectiveness · 9. strengths · 10. departments · 11. strategic · 12. expertise · 13. outsourcing · 14. Sales & Marketing · 15. Research & Development (R&D) · 16. forward · 17. Human Resources (HR)

Chapter 8 Guided Notes — Supply Chains

Framework: Topic 1.8 | LOs 1.8.A, 1.8.B, 1.8.C

Fill in each blank from memory first. Check the key at the bottom only after you finish the sheet.

1. A production process that makes goods in small quantities, often by hand, emphasizing craftsmanship and uniqueness is ________ production. (EK 1.8.A.1)
2. Mass production uses standardized processes, machinery, and automation to deliver consistency and a low ________ cost. (EK 1.8.A.1)
3. Which production process a business picks depends on three factors: customer priorities, the business’s core competencies, and the competitive ________. (EK 1.8.A.2)
4. A supply chain — the full sequence from sourcing raw materials to final delivery — can operate on a local, regional, or ________ scale. (EK 1.8.B.1)
5. The goods supply chain runs in this order: raw materials → ________ → warehouse → distribution → customer. (EK 1.8.B.2)
6. A services supply chain coordinates three things: employees, resources, and ________ systems (in-person, online, mobile). (EK 1.8.B.3)
7. Even a software company relies on cloud hosting, payment processors, and talent pipelines — every business, including service businesses, has a ________.
8. The five supplier-selection factors are cost, quality, efficiency, convenience, and ________ factors. (EK 1.8.B.4)
9. Of those five factors, ________ is the one measuring the speed and consistency of a supplier’s deliveries. (EK 1.8.B.4)
10. A low-price strategy demands mass production, cost-reducing supply chains, and ________ — producing at high volume to drive down per-unit costs. (EK 1.8.C.1)
11. A business competing on superior products must source premium materials and invest in skilled labor and rigorous quality control — the ________ strategy. (EK 1.8.C.2)
12. A barrier strategy blocks competitors through ________ or restrictive agreements with suppliers or distributors. (EK 1.8.C.3)
13. AT&T’s sole rights to sell the iPhone from 2007 to 2011 is the textbook example of a ________ strategy — rivals simply could not get the product. (EK 1.8.C.3)

> **APPLY IT:** Choose one product you own and sketch its five-stage goods supply chain from raw materials to your hands. Then decide which of the three competitive strategies (low-price, high-quality, or barrier) its maker is running — and name one supply chain decision that proves it.

Answer Key: 1. artisan · 2. per-unit · 3. landscape · 4. global · 5. manufacturing · 6. delivery · 7. supply chain · 8. risk · 9. efficiency · 10. scaling · 11. high-quality · 12. exclusive · 13. barrier

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Chapter 9 Guided Notes — Marketing and Customer Data

Framework: Topic 2.1 | LOs 2.1.A, 2.1.B, 2.1.C, 2.1.D

Fill in each blank from memory first. Check the key at the bottom only after you finish the sheet.

1. Marketing is the process of identifying customer problems, needs, and wants and then promoting, selling, and ________ products or services to satisfy them. (EK 2.1.A.1)
2. Businesses analyze customer data to answer three questions: which customers to serve, which products to produce, and whether their marketing is actually ________. (EK 2.1.A.2)
3. Measurable population traits — age, sex, race, income, location — are called ________. (EK 2.1.A.3)
4. Internal traits like interests, activities, values, and lifestyles are called ________. (EK 2.1.A.3)
5. Businesses gather data through digital tools, traditional methods like surveys and interviews, and by ________ data from third-party providers. (EK 2.1.A.4)
6. Aggregating potential customers into groups that share common characteristics is market ________. (EK 2.1.B.1)
7. The specific group identified as the most likely buyers of a product is the business's ________ customers. (EK 2.1.B.2)
8. The two steps are sequential: a business segments the market first, and only then chooses which segment(s) to ________.
9. A fictional mini-biography of a target customer combining demographic data, psychographic data, and wants and needs is a customer ________ (buyer persona). (EK 2.1.B.3)
10. Targeting a specific segment is both more effective and less ________ than trying to appeal to the entire market. (EK 2.1.B.4)
11. Businesses maintain customer relationships through personalized service, loyalty and rewards programs, seeking feedback, and engaging on ________. (EK 2.1.C.1)
12. Customer acquisition cost equals total marketing costs divided by total ________ gained in the period. (EK 2.1.C.2)
13. A food truck that spends $2,000 on marketing in March and gains 200 new customers has a CAC of $________. (EK 2.1.C.2)
14. The estimated total a customer will spend with a business over the entire relationship is customer ________ value. (EK 2.1.C.3)
15. For a healthy business model, lifetime value should be significantly ________ than customer acquisition cost.
16. Collecting, using, or sharing customer data without proper consent is a privacy ________. (EK 2.1.D.1)
17. When unauthorized individuals gain access to a company's stored customer data — as happened to 147 million people at Equifax — it is a data ________. (EK 2.1.D.2)

> **APPLY IT:** Write a five-line customer profile for a local business you know well: two demographic facts, two psychographic facts, and one need. Then estimate that business's CAC and lifetime value for a customer like you — is the ratio healthy?

Answer Key: 1. delivering · 2. effective · 3. demographics · 4. psychographics · 5. purchasing · 6. segmentation · 7. target · 8. target · 9. profile · 10. costly · 11. social media · 12. new customers · 13. 10 · 14. lifetime · 15. higher · 16. violation · 17. breach

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Chapter 10 Guided Notes — Consumer Behavior and Cialdini's Principles of Influence

Framework: Topic 2.2 | LOs 2.2.A, 2.2.B, 2.2.C

Fill in each blank from memory first. Check the key at the bottom only after you finish the sheet.

1. Every buying decision begins with needs and wants and is then shaped by prices, product differentiation, availability, and ________. (EK 2.2.A.1)
2. A deliberate, research-based purchase like buying a car is a ________ decision; grabbing the same coffee every morning is habitual. (EK 2.2.A.2)
3. Age, sex, education, income, budget, occupation, and lifestyle are ________ factors influencing purchases. (EK 2.2.A.3)
4. Values and beliefs, perceptions, learning, and motivations are ________ factors — they live inside the consumer's mind. (EK 2.2.A.4)
5. Peers, family, social status, cultural norms, and media are ________ factors. (EK 2.2.A.5)
6. Store design and layout, timing, and product availability are ________ influences — the environment does the selling. (EK 2.2.A.6)
7. The timing, frequency, and quantity of consumer purchases make up a purchasing ________. (EK 2.2.B.1)
8. When laws restrict or ban a product, consumers typically switch to ________ products — the need itself doesn't disappear. (EK 2.2.B.2)
9. The internet enabled e-commerce in the 1990s, and the adoption of ________ in the 2010s made mobile shopping a dominant force. (EK 2.2.B.3)
10. Cialdini identified ________ psychological principles that explain how people are persuaded to say "yes." (EK 2.2.C.1)
11. "Only 3 left in stock!" and limited-edition sneaker drops work through the principle of ________. (EK 2.2.C.2)
12. A dentist in a lab coat recommending toothpaste persuades through ________ — people trust experts and credible sources. (EK 2.2.C.3)
13. "Join 10 million users" and long restaurant lines persuade through ________, also called social proof. (EK 2.2.C.4)
14. Influencer marketing works largely through ________ — people are more easily persuaded by those they relate to or find attractive. (EK 2.2.C.5)
15. Costco's free samples trigger ________: receiving something free creates a felt obligation to give back. (EK 2.2.C.6)
16. Workout streaks and loyalty badges exploit ________ — once people commit, they repeat actions that match that self-image. (EK 2.2.C.7)

17. Harley-Davidson’s owners’ group builds influence through ________ — “one of us” shared identity runs deeper than merely being liked. (EK 2.2.C.8)

> **APPLY IT:** Open any shopping app and screenshot (mentally) the first product page you see. Identify at least three of Cialdini’s principles at work on that single page, and name which factor category — personal, psychological, social/cultural, or situational — the page is targeting hardest.

Answer Key: 1. advertising · 2. rational · 3. personal · 4. psychological · 5. social and cultural · 6. situational · 7. pattern · 8. substitute · 9. smartphones · 10. seven · 11. scarcity · 12. authority · 13. consensus · 14. liking · 15. reciprocity · 16. consistency · 17. unity

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Chapter 11 Guided Notes — Market Research

Framework: Topic 2.3 | LOs 2.3.A, 2.3.B, 2.3.C, 2.3.D

Fill in each blank from memory first. Check the key at the bottom only after you finish the sheet.

1. The systematic process of gathering, analyzing, and interpreting data about a market, its customers, and its competitors is market ________. (EK 2.3.A.1)
2. Numerical data that answers “how many, how much, how often” is ________ data. (EK 2.3.A.2)
3. Descriptive, non-numerical data that answers “why” and “how” people think and feel is ________ data. (EK 2.3.A.2)
4. Every business idea must pass three tests: desirability, feasibility, and ________. (EK 2.3.A.3)
5. The desirability test asks whether consumers actually ________ the product and whether it fits a real problem. (EK 2.3.A.3)
6. Secondary sources come in three flavors: government (Census Bureau), commercial (Nielsen, IBISWorld), and ________ (university studies, journals). (EK 2.3.B.1)
7. Compared to primary research, secondary research is ________-effective — a Census report is free while a nationwide survey costs tens of thousands. (EK 2.3.B.2)
8. Structured questionnaires given to a sample of respondents, mixing closed-ended and open-ended questions, are ________. (EK 2.3.C.1)
9. Showing two versions of a webpage or price to different groups and measuring which performs better is ________ testing. (EK 2.3.C.2)
10. A small, moderated discussion of roughly 6–12 people sharing reactions to a product is a focus ________. (EK 2.3.C.3)
11. A controlled test that manipulates one variable while holding others constant to establish cause and effect is an ________. (EK 2.3.C.5)
12. Watching and recording what consumers actually do, without interacting with them — like IKEA’s home visits — is ________. (EK 2.3.C.6)
13. A testable, specific prediction about the relationship between variables is a ________. (EK 2.3.C.7)
14. “Don’t you think our product is better than the competitor’s?” is a ________ question — it introduces bias by pushing respondents toward “yes.” (EK 2.3.C.8)
15. Even well-designed research cannot perfectly ________ future consumer behavior — it reduces uncertainty but never eliminates it (see New Coke). (EK 2.3.C.9)

16. To compare values across distinct categories — like revenue by region — use a ________ chart. (EK 2.3.D.2)
17. To show a trend over time, like monthly revenue growth, use a ________ graph. (EK 2.3.D.4)
18. To show part-to-whole percentages with five or fewer categories, use a ________ chart. (EK 2.3.D.6)

> **APPLY IT:** Take a business idea you've had (or invent one) and run it through desirability, feasibility, and viability in one sentence each. Then name one secondary source and one primary method you'd use to test your shakiest of the three, plus the hypothesis you'd be testing.

Answer Key: 1. research · 2. quantitative · 3. qualitative · 4. viability · 5. want · 6. academic · 7. cost · 8. surveys · 9. A/B (split) · 10. group · 11. experiment · 12. observation · 13. hypothesis · 14. leading · 15. predict · 16. bar · 17. line · 18. pie

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Chapter 12 Guided Notes — Product Development and Branding

Framework: Topic 2.4 | LOs 2.4.A, 2.4.B, 2.4.C

Fill in each blank from memory first. Check the key at the bottom only after you finish the sheet.

1. The six stages of product development, in order: ideation, validation, design, messaging, ________, and launch. (EK 2.4.A.1)
2. Ideation draws on three inputs: market research, R&D, and ________. (EK 2.4.A.2)
3. The simplest version of a product that can be tested with real users — like Dropbox's three-minute video — is a ________. (EK 2.4.A.3)
4. When there is enough demand from customers willing to pay enough to make the product profitable, the business has achieved product-market ________. (EK 2.4.A.3)
5. The design stage covers sourcing, prototyping, ________ estimation, feature specification, and tester feedback. (EK 2.4.A.4)
6. A value proposition answers three questions: who is it for, what does it do for them, and ________ is it superior to alternatives. (EK 2.4.A.5)
7. How a business wants customers to perceive its product relative to competitors is product ________. (EK 2.4.A.5)
8. In production, a business builds at scale and works to match production volume to anticipated ________ — overproducing wastes money, underproducing loses sales. (EK 2.4.A.6)
9. Launch involves securing retailer orders, establishing ________ channels, and executing targeted marketing campaigns. (EK 2.4.A.7)
10. The collection of visible and emotional elements — name, logo, colors, tone, experience — that distinguishes a company in consumers' minds is brand ________. (EK 2.4.B.1)
11. A brand feels authentic when its identity aligns with the company's vision and its value ________; misalignment makes customers lose trust. (EK 2.4.B.2)
12. Names, logos, slogans, jingles, colors, and packaging designs are legally protectable ________ elements. (EK 2.4.B.3)
13. Unbranded or store-branded items that compete primarily on ________ rather than brand identity are generic products. (EK 2.4.B.4)
14. The four product life cycle stages, in order: Introduction, Growth, ________, and Decline. (EK 2.4.C.1)

15. In the Introduction stage, sales are low and marketing focuses on building ________. (EK 2.4.C.3)
16. In the Growth stage, competitors enter the market, so the business must ________ its product through quality, features, branding, or service. (EK 2.4.C.4)
17. In Maturity, sales growth flattens because the market reaches ________ — most potential customers already own the product. (EK 2.4.C.5)
18. In Decline, a business may cut costs, redesign the product, or ________ it entirely, as Apple did with the iPod in 2022. (EK 2.4.C.6)

> **APPLY IT:** Pick any product you use daily and place it in its life cycle stage, citing one piece of evidence (pricing moves, competitor count, or marketing style). Then write its value proposition in a single sentence — who it's for, what it does, and how it beats the alternatives.

Answer Key: 1. production · 2. brainstorming · 3. Minimum Viable Product (MVP) · 4. fit · 5. cost · 6. how · 7. positioning · 8. demand · 9. distribution · 10. identity · 11. proposition · 12. trademark · 13. price · 14. Maturity · 15. awareness · 16. differentiate · 17. saturation · 18. discontinue

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Chapter 13 Guided Notes — Pricing Strategies

Framework: Topic 2.5 | LOs 2.5.A, 2.5.B, 2.5.C

Fill in each blank from memory first. Check the key at the bottom only after you finish the sheet.

1. The method a business uses to set the price of its products or services is its ________ — critical to viability, because the price must cover costs and generate enough revenue to sustain operations. (EK 2.5.A.1)
2. A business cannot remain profitable if its selling price is equal to or less than its ________ cost — the total cost of producing one unit. (EK 2.5.A.2)
3. ________ pricing sets the price according to the perceived value customers place on the product, not what it costs to make. (EK 2.5.A.3)
4. Value-based pricing works best for highly ________ products, where customers believe the product is worth a premium.
5. Under competitive pricing, a business can match rivals' prices, charge a ________ if its product is differentiated, or price below rivals if it is largely undifferentiated. (EK 2.5.A.4)
6. Cost-based (cost-plus) pricing follows one formula: selling price = per-unit cost + desired per-unit ________. (EK 2.5.A.5)
7. Watch the trap: a 60% markup on a $30 cost gives a $48 price, but the profit margin is $18 ÷ $48 = ________% — markup is figured on cost, margin on selling price.
8. ________ pricing launches with a deliberately low price to win market share fast, with a plan to raise the price once the customer base is built. (EK 2.5.A.6)
9. When customers see a product as interchangeable with competitors' versions, the business has little ________ power. (EK 2.5.B.1)
10. Demand is ________ when a price change causes a proportionally larger change in quantity demanded — think movie tickets or vacations. (EK 2.5.B.3)
11. Necessities with few substitutes, like prescription drugs, tend to have ________ demand: quantity barely moves when the price rises.
12. Competitors secretly agreeing to set prices at the same level are committing price ________, illegal under federal antitrust law. (EK 2.5.C.1)

13. Price collusion violates the ________ Antitrust Act — even informal "let's not undercut each other" conversations can trigger prosecution.
14. Raising prices to excessively high levels during an emergency or crisis is price ________, illegal in many states. (EK 2.5.C.2)
15. Charging different prices based on a customer's ________ status — race, gender, religion, national origin — is illegal, while student discounts and bulk pricing are fine. (EK 2.5.C.3)

> **APPLY IT:** Pick two things you bought this week — one cheap, one premium. For each, name the pricing strategy the seller most likely uses and one clue that supports your call. Then estimate whether either price could safely drop 25% and still sit above per-unit cost.

Answer Key: 1. pricing strategy · 2. per-unit · 3. Value-based · 4. differentiated · 5. premium · 6. profit (markup) · 7. 37.5 · 8. Penetration · 9. pricing · 10. elastic · 11. inelastic · 12. collusion · 13. Sherman · 14. gouging · 15. protected

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Chapter 14 Guided Notes — Place, Channels, and Promotion

Framework: Topics 2.6–2.7 | LOs 2.6.A, 2.6.B, 2.7.A, 2.7.B

Fill in each blank from memory first. Check the key at the bottom only after you finish the sheet.

1. In the marketing mix, ________ covers the strategies that make a product available in the right location, at the right time, and in the right quantity. (EK 2.6.A.1)
2. The path a product travels from producer to final consumer — including wholesalers, distributors, and retailers — is the marketing or ________ channel. (EK 2.6.A.2)
3. Selling 500 laptops to a school district through a sales rep and a negotiated contract is a ________ channel; selling one laptop to a student through Best Buy is B2C. (EK 2.6.A.3)
4. A ________ channel means the producer sells straight to the consumer with no intermediaries — Tesla's showroom model. (EK 2.6.A.4)
5. Alcohol in most U.S. states must move through a three-tier producer → wholesaler → retailer system — an example of a legally ________ distribution channel. (EK 2.6.A.5)
6. Because every intermediary takes a share of revenue, choosing a channel means comparing the costs and ________ of each option. (EK 2.6.B.1)
7. Direct channels give a business more ________ over branding, pricing, and customer experience — but cost more, since the business handles all logistics and service itself. (EK 2.6.B.2)
8. Indirect channels deliver the intermediary's expertise and existing customer reach, but ________ products may dominate the very same shelf. (EK 2.6.B.3)
9. A coordinated series of promotional activities designed to hit one specific goal in a defined window is a marketing ________. (EK 2.7.A.1)
10. The promotional mix has five tools: media advertising, personal selling, sales promotion, ________ marketing, and public relations. (EK 2.7.A.2)
11. To build broad brand awareness with a large audience fast, the strongest tool is media ________ — paid messages through TV, radio, print, and online display. (EK 2.7.A.3)
12. High-value, complex products — especially in B2B markets — are best sold through ________ selling, where a human can inform, customize, and build trust. (EK 2.7.A.4)

13. Short-term incentives like coupons, BOGO offers, and free samples — built to stimulate immediate purchases — are ________. (EK 2.7.A.5)
14. ________ builds long-term credibility through earned media, press releases, and sponsorships, and is the go-to tool for crisis communication. (EK 2.7.A.7)
15. Digital marketing runs on four platforms: websites, email marketing, social media, and mobile ________. (EK 2.7.B.1)
16. Digital marketing enables ________ — tailoring messages and offers to individual consumers based on their data — often at lower cost than TV or print. (EK 2.7.B.2)
17. The massive volumes of information about customer behavior, preferences, and purchasing patterns that digital channels collect are called ________. (EK 2.7.B.3)

> **APPLY IT:** Take a snack brand you buy regularly and write out its full channel, producer to you, labeling it direct or indirect. Then design a mini-launch for a new flavor: pick the two promotional mix tools you would fund first and justify each in one sentence.

Answer Key: 1. place · 2. distribution · 3. B2B (business-to-business) · 4. direct · 5. required · 6. profitability · 7. control · 8. rival · 9. campaign · 10. direct · 11. advertising · 12. personal · 13. sales promotion · 14. Public relations (PR) · 15. apps · 16. personalization · 17. big data

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Chapter 15 Guided Notes — Saving for the Future

Framework: Topic 3.1 | LOs 3.1.A, 3.1.B, 3.1.C

Fill in each blank from memory first. Check the key at the bottom only after you finish the sheet.

1. Wages or salary from working for someone else are ________ income; running your own business or freelancing produces self-employment income.
2. The three big reasons people save are funding future purchases, building an emergency fund, and preparing for ________.
3. An emergency fund should hold roughly ________ months of expenses so one bad month doesn't spiral into debt.
4. ________ interest earns interest on both the original deposit and all previously accumulated interest — which is why it beats simple interest more every year. (EK 3.1.B.1)
5. Dividing 72 by your interest rate estimates your money's ________ time — the Rule of 72.
6. Start \$200/month at age 22 instead of 32 and, at a 7% return, your balance at 62 roughly ________ — about \$525,000 versus \$244,000.
7. Contributing enough to capture your employer's 401(k) ________ is an instant 100% return; skipping it leaves free money on the table.
8. A Health Savings Account offers a ________ tax advantage: deductible contributions, tax-free growth, and tax-free qualified withdrawals.
9. Raising your spending every time your income rises — so your savings rate never improves — is called lifestyle ________.
10. Unplanned purchases driven by emotion rather than need are ________ buying — a barrier engineered into one-click checkout and social ads.
11. When inflation outpaces the interest your savings earn, your ________ power falls even though the account balance grows.

12. The ________ insures bank deposits up to $250,000 per depositor, per institution; the NCUA provides the same protection at credit unions.
13. A ________ locks your money for a set term (1 month to 5 years) in exchange for a higher rate, with a penalty for early withdrawal.
14. A ________ account is a savings-checking hybrid: higher interest and often check-writing, but a larger minimum balance.
15. Non-traditional vehicles like mobile payment apps and cryptocurrency are not federally ________ and typically earn no guaranteed interest.
16. The five selection factors for any savings vehicle: interest rate, fees, minimum balance, risk, and convenience of ________. (EK 3.1.C.3)

> **APPLY IT:** List every income source you have right now, then set one short-term (under 1 year) and one long-term (5+ years) savings goal with a dollar amount. Match each goal to the best vehicle from this chapter and defend the match using at least two of the five selection factors.

Answer Key: 1. employment · 2. retirement · 3. 3–6 · 4. Compound · 5. doubling · 6. doubles · 7. match · 8. triple · 9. inflation · 10. impulse · 11. purchasing · 12. FDIC · 13. certificate of deposit (CD) · 14. money market · 15. insured · 16. access

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Chapter 16 Guided Notes — Borrowing, Credit, and Debt

Framework: Topic 3.2 | LOs 3.2.A, 3.2.B, 3.2.C

Fill in each blank from memory first. Check the key at the bottom only after you finish the sheet.

1. People borrow when a purchase exceeds their income or savings, when an ________ demands immediate funds, or for the convenience of not paying the full amount upfront.
2. Borrowing creates a ________ — an obligation to repay the borrowed amount plus interest.
3. A ________ loan is backed by collateral the lender can seize if you default — a mortgage by the house, an auto loan by the car.
4. Because there is no collateral to seize, unsecured loans like credit cards carry ________ interest rates to compensate the lender for extra risk.
5. ________ are nonprofit cooperatives owned by their members, which is why they often beat banks on loan rates and fees.
6. A $500 payday loan with $75 in fees over two weeks works out to roughly ________% APR — the reason consumer advocates call it legal loan sharking.
7. The Truth in Lending Act requires lenders to disclose the ________, finance charges, and terms before you sign.
8. The ________ prohibits lending discrimination based on race, religion, national origin, sex, marital status, or age.
9. Lenders price every loan around ________ risk — the likelihood the borrower will fail to repay.
10. The three credit bureaus that compile your borrowing history into a credit report are Equifax, Experian, and ________.
11. A credit score is a numerical rating that typically runs from 300 to ________, shared with lenders, employers, landlords, insurers, and government agencies.

12. The heaviest FICO factor, worth 35% of your score, is ________ history — one 30-day late payment can cost 50–100 points.
13. Amounts owed (30% of FICO) is measured by your credit ________ ratio — keep it under 30% of your limits, ideally under 10%.
14. The ________ method pays off the highest-interest-rate debt first, which minimizes total interest paid.
15. The ________ method attacks the smallest balance first — mathematically costlier, but the quick wins keep many people motivated to finish.
16. Putting 20% down on a home purchase shrinks the loan and eliminates ________ — an extra $100–200 monthly cost charged to low-down-payment borrowers.
17. Bankruptcy can discharge or restructure unmanageable debt, but it stays on your credit report for ________ years.

> **APPLY IT:** You're 21 with one credit card and a part-time paycheck. Write the three specific habits from this chapter that would build your score fastest, tied to the FICO factor each one targets. Then decide: for a friend juggling a 24% card, a 7% car loan, and a 5% student loan, which repayment method do you prescribe, and why?

Answer Key: 1. emergency · 2. liability · 3. secured · 4. higher · 5. Credit unions · 6. 391 · 7. APR · 8. Equal Credit Opportunity Act (ECOA) · 9. default · 10. TransUnion · 11. 850 · 12. payment · 13. utilization · 14. avalanche · 15. snowball · 16. Private Mortgage Insurance (PMI) · 17. 7–10

Chapter 17 Guided Notes — Accounting and Business Expenses

Framework: Topics 3.3–3.4 | LOs 3.3.A, 3.3.B, 3.4.A, 3.4.B

Fill in each blank from memory first. Check the key at the bottom only after you finish the sheet.

1. Every transaction touches the accounting equation: owners' equity equals assets minus ________. (EK 3.3.A.1)
2. For an individual, total assets minus total liabilities equals ________. (EK 3.3.A.2)
3. A consumer's primary tool for tracking income and expenses — the personal scoreboard — is a ________. (EK 3.3.A.5)
4. ________ are the standardized accounting rules required for all public corporations, which must file statements quarterly and annually. (EK 3.3.A.4)
5. ________ basis accounting records revenue when it is earned and expenses when they are incurred, regardless of when cash actually moves — cash basis waits for the money.
6. The ________ principle requires expenses to be recorded in the same period as the revenues they helped generate.
7. The ________ assumption — that the business will keep operating — is what justifies recording long-term assets at historical cost instead of liquidation value.
8. ________ accountants prepare internal reports for managers' decisions; financial accountants prepare external reports for shareholders and regulators. (EK 3.3.B.2, 3.3.B.3)
9. The ________ department analyzes financial data and recommends how to allocate resources, invest capital, and manage risk. (EK 3.3.B.4)
10. One-time expenditures required to launch a business — legal fees, incorporation, equipment — are ________ costs. (EK 3.4.A.1)

11. Recurring costs that begin before the business earns revenue — rent, insurance, marketing, initial inventory — are ________ expenses. (EK 3.4.A.2)
12. Costs traceable to a specific product, like a T-shirt printer's blank shirts and ink, are ________ costs; the shop's internet bill is indirect. (EK 3.4.B.1)
13. ________ expenses stay the same no matter how much you sell (rent), while variable expenses rise and fall with volume (ingredients). (EK 3.4.B.2)
14. The total direct cost of producing the goods sold during a period — materials, production wages, production facility costs — is ________. (EK 3.4.B.3)
15. The service-business equivalent of COGS — direct labor, travel, and materials consumed delivering the service — is called cost of ________. (EK 3.4.B.4)
16. A bakery's loan interest sits below operating profit on the income statement because it is a ________ expense — it comes from financing, not core operations.
17. Beyond legally required coverage like workers' compensation, how much insurance a business buys depends on the owner's risk ________. (EK 3.4.B.6)

> **APPLY IT:** Choose a local business you know well and list six of its likely expenses. Classify each one as fixed or variable AND direct or indirect, then flag which ones would land in COGS. Bonus: name the one expense that would be non-operating.

Answer Key: 1. liabilities · 2. net worth · 3. budget · 4. GAAP (Generally Accepted Accounting Principles) · 5. Accrual · 6. matching · 7. going-concern · 8. Managerial · 9. finance · 10. startup · 11. initial · 12. direct · 13. Fixed · 14. COGS (Cost of Goods Sold) · 15. sales · 16. non-operating · 17. tolerance

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Chapter 18 Guided Notes — Financial Capital

Framework: Topic 3.5 | LOs 3.5.A, 3.5.B, 3.5.C, 3.5.D

Fill in each blank from memory first. Check the key at the bottom only after you finish the sheet.

1. Funding a business from the owner's personal savings, credit cards, or early sales — with no outside investors — is called ________. (EK 3.5.A.1)
2. The sales level at which total revenue equals total costs, leaving zero profit and zero loss, is the ________ point. (EK 3.5.A.2)
3. Break-even in units = Fixed Costs ÷ (Selling Price – ________ per unit).
4. Beyond startup costs and growth, businesses seek outside capital to manage ________ — the timing gap between paying expenses and receiving revenue. (EK 3.5.A.5)
5. With debt financing, the loan must be repaid with interest, but the lender gains zero ________ in the business. (EK 3.5.B.1)
6. With ________ financing, the investor is never directly repaid — instead they receive a stake in the company and share in its future profits. (EK 3.5.B.1)
7. Because they lack the track record banks require, new businesses often turn first to ________ for initial loans or investments. (EK 3.5.B.2)
8. A business typically needs ________ or more years of operating history and a revenue record before it can qualify for a traditional bank loan. (EK 3.5.B.3)
9. Corporations can raise debt capital by issuing ________, which pay investors interest and return the principal at maturity. (EK 3.5.B.4)

10. Stock can be sold privately to a select group of investors, or to the general public on an exchange through an ________. (EK 3.5.B.4)
11. Stocks, bonds, and loan agreements are all ________ — instruments representing a claim on future income or value. (EK 3.5.C.1)
12. The return lenders earn is called ________ income: a bank lending $100,000 at 6% collects $6,000 of it per year. (EK 3.5.C.2)
13. ________ are periodic payments a corporation makes to shareholders, typically out of profits — though many companies reinvest instead. (EK 3.5.C.3)
14. Buy a share at $50 and sell it at $80, and the $30 profit is a ________. (EK 3.5.C.4)
15. Rate of return = (Gain or Loss ÷ ________) × 100. (EK 3.5.C.5)
16. The degree of uncertainty an investor is willing to accept in pursuit of higher returns is their ________. (EK 3.5.C.7)
17. A higher ________ means an entrepreneur gives up less ownership for the same amount of investment. (EK 3.5.D.2)
18. Sales data, user growth, and repeat-purchase rates are the concrete evidence investors demand of ________ fit. (EK 3.5.D.3)

> **APPLY IT:** Pick a real startup you admire and sketch its funding ladder: how did it likely fund its first year, and what source would it use to raise its next $1 million? Then decide — if you needed $50,000 for your own business idea, would you choose debt or equity, and what exactly would you give up?

Answer Key: 1. bootstrapping · 2. break-even · 3. variable cost · 4. cash flow · 5. ownership · 6. equity · 7. friends and family · 8. two · 9. bonds · 10. IPO (initial public offering) · 11. financial assets · 12. interest · 13. dividends · 14. capital gain · 15. original investment · 16. risk tolerance · 17. valuation · 18. product-market

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Chapter 19 Guided Notes — The Income Statement

Framework: Topic 3.6 | LOs 3.6.A, 3.6.B, 3.6.C

Fill in each blank from memory first. Check the key at the bottom only after you finish the sheet.

1. The income statement — also called a ________ statement, or P&L — reports revenue and costs over a defined time period. (EK 3.6.A.1)
2. The three major categories on an income statement are revenue, ________, and operating expenses. (EK 3.6.A.2)
3. ________ is the income earned from a business's core activities — selling an old delivery van doesn't count. (EK 3.6.A.3)
4. Revenue minus COGS gives you ________ profit. (EK 3.6.A.4)
5. The three sub-categories of operating expenses are selling expenses, general and administrative (G&A) expenses, and ________ expenses. (EK 3.6.A.5)
6. Gross profit minus ________ equals operating profit — the measure of what core operations actually earn. (EK 3.6.A.6)
7. Subtracting ________ expense (the cost of borrowing money) from operating profit gives you pretax income. (EK 3.6.A.7)

8. A business owes tax expense only when its pretax income is ________ — a loss generates no tax bill. (EK 3.6.A.8)
9. Net income is nicknamed the "________" because of where it sits on the statement — it's the income available to the owners. (EK 3.6.A.9)
10. Every profit margin uses the same denominator: divide the profit figure by ________. (EK 3.6.B.2)
11. The margin that captures what owners keep after ALL costs — including interest and taxes — is the ________ margin. (EK 3.6.B.4)
12. The most common AP margin error is dividing profit by ________ instead of revenue.
13. Businesses benchmark income statement results against internal projections, past performance, and ________. (EK 3.6.B.5)
14. Percentage change = (New Value – Old Value) ÷ ________ × 100. (EK 3.6.B.6)
15. Financial uncertainty comes from shifting customer needs, competitors, and the external forces captured by the ________ framework. (EK 3.6.C.1)
16. Businesses project future revenue using ________ — industry trends, customer behavior, economic conditions, and the competitive landscape. (EK 3.6.C.2)
17. Rent that stays the same no matter how much you sell is a ________ cost. (EK 3.6.C.3)
18. Ingredient costs that rise and fall with sales volume are ________ costs. (EK 3.6.C.3)

> **APPLY IT:** Choose a local food business and estimate its income statement waterfall: rough revenue, COGS, operating expenses, then each profit line down to net income. Which margin would worry you most if it shrank next quarter, and why?

Answer Key: 1. profit and loss · 2. Cost of Goods Sold (COGS) · 3. Revenue · 4. gross · 5. research and development (R&D) · 6. operating expenses · 7. interest · 8. positive · 9. bottom line · 10. revenue · 11. net profit · 12. cost · 13. competitors · 14. Old Value · 15. PESTEL · 16. market research · 17. fixed · 18. variable

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Chapter 20 Guided Notes — Balance Sheet and Net Worth

Framework: Topic 3.7 | LOs 3.7.A, 3.7.B

Fill in each blank from memory first. Check the key at the bottom only after you finish the sheet.

1. Unlike the income statement, which covers a period, the balance sheet reports financial position at a specific ________. (EK 3.7.A)
2. The accounting equation: Assets = Liabilities + ________. (EK 3.7.A)
3. If the income statement is a movie, the balance sheet is a ________.
4. Assets expected to be used up or converted to cash within ________ are classified as current assets. (EK 3.7.A)
5. Equipment, buildings, land, and patents — assets that provide value beyond a year — are ________ assets. (EK 3.7.A)
6. Money customers owe you for work already delivered is a current asset called ________.
7. Money you owe a supplier, due within the year, is a current liability called ________. (EK 3.7.A)
8. A five-year bank loan or a mortgage belongs under ________ liabilities. (EK 3.7.A)
9. Owners' equity is the owners' ________ claim — whatever remains after all liabilities are subtracted from assets. (EK 3.7.A)

10. Accumulated profits kept inside the business rather than paid out to owners are called ________.
11. A business with $500,000 in total assets and $200,000 in liabilities has owners' equity of ________.
12. The two statements connect: net income that isn't distributed to owners flows into ________ on the balance sheet.
13. Personal ________ = personal assets – personal liabilities — the accounting equation applied to you. (EK 3.7.B)
14. Paying off a $300 credit card balance with cash lowers both assets and liabilities, so your net worth ________.
15. A ________ net worth over time indicates improving financial health; a declining one signals a need to reassess. (EK 3.7.B)
16. Tracking net worth helps individuals decide whether to save more, pay down ________, invest, or adjust spending. (EK 3.7.B)

> **APPLY IT:** Build your own one-page balance sheet: list everything you own (cash, car, electronics, resale-worthy items) and everything you owe, then calculate your net worth. Name one action for the next 12 months that grows an asset and one that shrinks a liability.

Answer Key: 1. point in time · 2. Owners' Equity · 3. photograph · 4. one year · 5. long-term · 6. accounts receivable · 7. accounts payable · 8. long-term · 9. residual · 10. retained earnings · 11. $300,000 · 12. retained earnings · 13. net worth · 14. stays the same (is unchanged) · 15. rising · 16. debt

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Chapter 21 Guided Notes — Cash Flow and Financial Ethics

Framework: Topics 3.8–3.9 | LOs 3.8.A, 3.9.A

Fill in each blank from memory first. Check the key at the bottom only after you finish the sheet.

1. The cash flow statement organizes all cash inflows and outflows into three sections: operating, investing, and ________ activities.
2. Customer payments coming in and wages, rent, and supplier costs going out belong to ________ activities — the section that shows whether the core business model produces cash.
3. Buying a new delivery truck or selling old equipment appears under ________ activities.
4. Loans received and stock sales are financing inflows; loan repayments and ________ paid to shareholders are financing outflows.
5. Profit is calculated on the ________ basis — revenue when earned, expenses when incurred — regardless of when cash actually moves.
6. A business can be ________ on paper while running dangerously low on actual cash; that's why two separate statements exist.
7. Negative operating cash flow is a warning sign, but negative investing cash flow often signals ________ — the company is buying assets for expansion.
8. When reconciling net income to cash, ________ is added back because it is a non-cash expense — it reduced profit but no money left the building.
9. Revenue billed to clients but not yet collected shows up as an increase in ________, which reduces operating cash below net income.

10. If net income keeps rising while operating cash keeps falling, the business may be booking ________ it cannot collect — a major warning sign.
11. The three consequences of financial fraud are legal penalties, loss of trust, and ________ failure.
12. The energy giant ________ — then the seventh-largest U.S. company — went bankrupt within weeks of its fraud being exposed, taking accounting firm Arthur Andersen down with it.
13. In response to those scandals, Congress passed the Sarbanes-Oxley Act (SOX) in ________.
14. Under SOX, the CEO and ________ must personally certify the accuracy of financial statements — "I didn't know" is no longer a defense.
15. SOX makes it illegal to retaliate against a ________ who reports fraud inside a company.
16. SOX criminal penalties reach up to $5 million in fines and ________ years in prison.
17. Under GAAP, revenue may be recognized only when it is ________ — a verbal commitment on an unsigned contract does not qualify.

> **APPLY IT:** Pick a growing company you follow and reason through its three cash flow sections: where is cash likely flowing in, and where is it flowing out? Then decide whether negative total cash flow this year would worry you — and defend your answer using the section it comes from.

Answer Key: 1. financing · 2. operating · 3. investing · 4. dividends · 5. accrual · 6. profitable · 7. growth · 8. depreciation · 9. accounts receivable · 10. revenue · 11. business · 12. Enron · 13. 2002 · 14. CFO · 15. whistleblower · 16. 20 · 17. earned

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Chapter 22 Guided Notes — Management, Leadership, and KPIs

Framework: Topics 4.1–4.2 | LOs 4.1.A, 4.2.A

Fill in each blank from memory first. Check the key at the bottom only after you finish the sheet.

1. The four management functions — planning, organizing, leading, and ________ — operate as a continuous cycle.
2. Setting goals and deciding how to achieve them is the ________ function: "Where are we going, and how do we get there?"
3. Arranging resources and assigning tasks — deciding who does what — is the ________ function.
4. A manager who spots delivery times jumping from 28 to 42 minutes, investigates, and adjusts staffing is performing the ________ function.
5. A leader who makes decisions unilaterally with one-way, top-down communication — right for emergencies and dinner-rush kitchens — is using the ________ style. (EK 4.1.A)
6. A ________ leader invites team input before deciding; the trade-off is slower decision-making. (EK 4.1.A)
7. The ________ style gives minimal direction and lets the team self-manage — it works for skilled professionals and fails with inexperienced teams. (EK 4.1.A)
8. Satya Nadella's culture-first reinvention of Microsoft is the book's example of ________ leadership — inspiring change through vision. (EK 4.1.A)
9. A fifth style worth knowing, ________ leadership, centers on removing obstacles and empowering the team rather than commanding it. (EK 4.1.A)
10. Managers focus on processes and doing things right; ________ focus on vision, inspiration, and driving change.

11. ________ are measurable values that demonstrate how effectively an organization is achieving its key business objectives.
12. The financial KPI calculated as (Gain – Cost) ÷ Cost is ________.
13. Customer satisfaction, employee retention, and ________ (company revenue as a share of total industry revenue) are the chapter's three non-financial KPIs.
14. Revenue and profit margin are lagging indicators; customer satisfaction scores that predict next quarter's results are ________ indicators.
15. ________ Law warns that when a measure becomes a target, it ceases to be a good measure — people game the number and undermine the goal.
16. In SMART goals, the "M" stands for ________.
17. "Increase revenue" fails the SMART test because it has no deadline — every goal must be ________.
18. A number is only a KPI if it connects to a ________ — "website traffic" alone is just a metric.

> **APPLY IT:** Think of a team you're part of — a job, club, or sports team. Identify which management function its leader does best and which leadership style they use, then design one financial (or countable) KPI and one non-financial KPI for the team, each with a full SMART goal attached.

Answer Key: 1. evaluating (traditionally called controlling) · 2. planning · 3. organizing · 4. evaluating · 5. autocratic · 6. democratic · 7. laissez-faire · 8. transformational · 9. servant · 10. leaders · 11. Key Performance Indicators (KPIs) · 12. Return on Investment (ROI) · 13. market share · 14. leading · 15. Goodhart's · 16. Measurable · 17. time-bound · 18. goal (business objective)

Chapter 23 Guided Notes — Strategy and Decision Making

Framework: Topic 4.3 | LO 4.3.A, 4.3.B

Fill in each blank from memory first. Check the key at the bottom only after you finish the sheet.

1. Strategic planning flows from the broadest statement of purpose down to daily action: Vision → Goals → ________ → Tactics.
2. The ________ is the broadest level of the hierarchy — it answers "Who do we aspire to be?" over a 10+ year horizon.
3. Unlike a vision, goals must be ________ — specific outcomes you can track over one to five years.
4. A members-only sneaker drop launched this Friday sits at the ________ level: specific, short-term, and actionable.
5. The decision-making process is a structured cycle with ________ stages, ending with Review.
6. Step 1 of the process is to identify the ________ (or opportunity) — clearly, and without confusing symptoms for root causes.
7. Immediately after identifying the problem, a manager should gather ________ — sales data, surveys, competitor analysis, frontline input.
8. Criteria-based evaluation replaces gut-feel comparisons by scoring each alternative against defined, ________ criteria.
9. In a decision matrix, you multiply each score by its criterion's ________, then sum the results for each alternative.
10. A matrix works best with a limited set of ________ to seven criteria — more than that adds clutter, not clarity.

11. ________-based decision making means grounding choices in the best available data and research rather than intuition, tradition, or anecdote alone.
12. Seeking out only the data that supports what you already believe is called ________ bias.
13. The ________ fallacy is continuing a failing course of action because of past investment instead of judging future costs and benefits.
14. Collecting data endlessly without ever committing to a choice is called analysis ________.
15. Step 6 (Review) creates a ________ loop — what you learn feeds back into identifying the next problem.
16. The AP framework's named decision model is the ________ model — **P**roblem, **A**lternatives, **C**riteria, **E**valuate, **D**ecide — the structure the Business Decision FRQ rewards.

> **APPLY IT:** Pick a real business you visit weekly. Write its four-level hierarchy: one plausible vision, one measurable goal, one strategy, one tactic you've actually seen it use. Then build a mini decision matrix (3 criteria, weighted) for one choice it currently faces — such as adding delivery.

Answer Key: 1. Strategies · 2. vision · 3. measurable · 4. tactic · 5. six · 6. problem · 7. information · 8. weighted · 9. weight · 10. four · 11. Evidence · 12. confirmation · 13. sunk cost · 14. paralysis · 15. feedback · 16. PACED

Chapter 24 Guided Notes — Porter's Five Forces and SWOT

Framework: Topic 4.4 | LOs 4.4.A, 4.4.B

Fill in each blank from memory first. Check the key at the bottom only after you finish the sheet.

1. The Five Forces framework for analyzing industry attractiveness was developed by Harvard professor Michael ________.
2. The force at the center of the model — the intensity of competition among existing firms — is competitive ________.
3. The core insight: the stronger the five forces, the ________ the industry's profit potential.
4. The threat of new entrants is governed by barriers to ________, such as capital requirements, brand loyalty, and regulation.
5. When only a few companies provide a unique input that is costly to switch away from (like Intel's chips for years), the industry faces high ________ power.
6. Walmart demanding rock-bottom prices from the companies that stock its shelves is the textbook example of ________ power.
7. Substitutes are not direct rivals — they are alternatives from outside the industry that meet the same customer ________ in a different way.
8. Pepsi is Coke's rival, not its substitute; bottled water and energy drinks are true ________ for Coke.
9. Apple weakens buyer power by building ecosystem ________ costs — apps, photos, and iMessage make leaving painful.
10. In SWOT, the four letters stand for Strengths, Weaknesses, Opportunities, and ________.
11. Strengths and Weaknesses are ________ factors — characteristics the company itself controls.
12. Opportunities and Threats are external — conditions the company cannot ________ but must respond to.
13. Using a strength to capture an opportunity (like a loyal customer base promoting a new oat-milk line) is an ________ strategy.
14. The strategy-generation grid that combines SO, ST, WO, and WT pairings is called the ________ matrix.

15. Run Five Forces first to judge the industry; run SWOT second to position the specific ________ within it.

> **APPLY IT:** Choose an industry you buy from monthly (streaming, fast food, sneakers). Rate all five forces High/Medium/Low with one fact each, then build a four-item SWOT for one specific company in it. Finish with one SO strategy that company should run this year.

Answer Key: 1. Porter · 2. rivalry · 3. lower · 4. entry · 5. supplier · 6. buyer · 7. need · 8. substitutes · 9. switching · 10. Threats · 11. internal · 12. control · 13. SO (Strength + Opportunity) · 14. TOWS · 15. company

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Chapter 25 Guided Notes — Taxes, Net Income, and Budgeting

Framework: Topic 5.1 | LOs 5.1.A, 5.1.B

Fill in each blank from memory first. Check the key at the bottom only after you finish the sheet.

1. ________ income is your total earnings before anything is taken out; net income is what actually lands in your account.
2. Net pay = Gross pay − All ________. (EK 5.1.A)
3. The four major mandatory payroll deductions are federal income tax, state income tax (where applicable), Social Security tax, and ________ tax.
4. Social Security tax is withheld at ________% of wages, up to an annual cap.
5. Medicare tax is withheld at ________% of all wages, with no cap.
6. Social Security and Medicare together are known as ________ — and your employer pays a matching amount on top of your wages.
7. The U.S. uses a ________ tax system: higher income is taxed at higher rates, but only the dollars inside each bracket.
8. The ________ tax rate is the rate applied only to income within a specific bracket — not to your entire income.
9. Because only the dollars above each threshold are taxed at the higher rate, your effective rate always stays ________ your top marginal rate.
10. Moving into a higher bracket ________ results in lower take-home pay — a raise always nets you more.
11. Pre-tax deductions like a 401(k) contribution reduce your ________ income while building your own wealth. (EK 5.1.A)
12. A ________ is a written plan allocating expected income to spending categories over a set period, usually monthly.
13. The 50/30/20 rule allocates 50% of after-tax income to needs, 30% to wants, and ________% to savings and debt repayment.
14. In ________-based budgeting, every dollar of income is assigned a job until income minus allocations equals exactly zero.
15. Rent and subscriptions are ________ expenses; groceries, gas, and dining out are variable — and variable is easier to cut fast.
16. Neither budgeting method works unless you actually track spending and ________ the plan when reality differs. (EK 5.1.B)

> **APPLY IT:** Estimate your own (or a realistic first-job) monthly net income, then draft a 50/30/20 budget with at least three line items per category. Circle the two variable expenses you'd cut first in a tight month, and note one trigger that would make you switch to zero-based budgeting.

Answer Key: 1. Gross · 2. deductions · 3. Medicare · 4. 6.2 · 5. 1.45 · 6. FICA · 7. progressive · 8. marginal · 9. below · 10. never · 11. taxable · 12. budget · 13. 20 · 14. zero · 15. fixed · 16. adjust

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Chapter 26 Guided Notes — Managing Personal Risk

Framework: Topic 5.2 | LO 5.2.A

Fill in each blank from memory first. Check the key at the bottom only after you finish the sheet.

1. Insurance is a contract that ________ major financial risk from you to a company in exchange for regular payments.
2. The five major types of personal insurance are health, auto, home/renters, life, and ________ insurance.
3. The ________ is the regular monthly or annual payment you make just to keep a policy active.
4. The ________ is the amount you must pay out of pocket before insurance starts covering costs.
5. A ________ is a fixed amount you pay for a specific service, like $25 for a doctor visit.
6. The classic trade-off: a lower premium generally means a ________ deductible, and vice versa.
7. ________ insurance covers a tenant's personal belongings and liability — the building itself is the landlord's responsibility.
8. Life insurance matters most for people with ________; a single 19-year-old typically doesn't need it yet.
9. Disability insurance replaces a portion of your ________ if illness or injury keeps you from working.
10. Risk assessment asks two questions about each threat: how ________ is it, and how costly would it be?
11. Insurance makes the most sense for low-probability, ________ events like a house fire — not for flat tires you can self-insure.
12. The less savings you have, the ________ protection you need, because you cannot absorb losses on your own. (EK 5.2.A)
13. An emergency fund should hold ________ months of essential living expenses.
14. Keep the emergency fund in a high-yield ________ account — not invested — so it's there the day disaster hits.
15. ________ theft is when someone uses your personal information (like your SSN) to open accounts or commit fraud in your name.
16. One of the strongest defenses is freezing your credit with the three major credit ________.

> **APPLY IT:** Inventory your own risk: list your three most valuable possessions and your current savings cushion, then decide which of the five insurance types you (or your household) would prioritize first and why. Compute your personal 3–6 month emergency fund target from real monthly essentials.

Answer Key: 1. transfers · 2. disability · 3. premium · 4. deductible · 5. copay · 6. higher · 7. Renters · 8. dependents · 9. income · 10. likely · 11. catastrophic · 12. more · 13. 3 to 6 · 14. savings · 15. Identity · 16. bureaus

Chapter 27 Guided Notes — Investing for Life Goals

Framework: Topic 5.3 | LO 5.3.A

Fill in each blank from memory first. Check the key at the bottom only after you finish the sheet.

1. A ________ plan is a tax-advantaged account where money grows tax-free and withdraws tax-free for qualified education costs.
2. In the education funding hierarchy, scholarships come first and ________ student loans come last — they carry higher rates and fewer protections.
3. Federal student loans typically offer lower interest rates and more flexible ________ options than private loans.
4. A down payment is typically 5% to 20% of a home's price; putting down less than 20% triggers ________, an extra monthly fee protecting the lender.
5. With a mortgage, the home itself serves as ________ — stop paying and the lender can take the house.
6. A short time horizon favors ________ over buying, because closing costs of 5–8% won't be offset by appreciation in a year or two.
7. A 401(k) and Traditional IRA are funded with pre-tax dollars and taxed at withdrawal; a ________ IRA flips this — after-tax money in, tax-free withdrawals out.
8. The Roth choice often wins for young workers because paying today's ________ tax bracket beats paying a higher one in retirement.
9. The 401(k)'s killer feature is the employer ________ — always contribute enough to capture all of it.
10. The Rule of 72 estimates years to double your money: 72 divided by the annual ________.
11. At an 8% return, money doubles roughly every ________ years.
12. ________ growth means earning returns on your accumulated returns — your money's money makes money.
13. The time value of money says a dollar today is worth ________ than a dollar in the future, because today's dollar can be invested.
14. The risk-return tradeoff: higher potential returns come with higher ________ of loss — the upside is potential, never guaranteed.
15. ________ spreads your money across asset types, industries, and regions so one collapse can't devastate the portfolio.
16. An index fund aims to match a market index like the S&P 500 and charges far lower ________ than actively managed funds.
17. The three primary asset classes are stocks, bonds, and ________.
18. Bonds are ________ you make to companies or governments in exchange for fixed interest — the portfolio's stabilizer.

> **APPLY IT:** Sketch your own timeline: pick one education, one housing, and one retirement goal with a target age for each. Using the Rule of 72 at 8%, work out how many times a dollar invested this year would double before your retirement age — then name the account type you'd open first and why.

Answer Key: 1. 529 · 2. private · 3. repayment · 4. PMI · 5. collateral · 6. renting · 7. Roth · 8. lower (low) · 9. match · 10. interest rate (rate of return) · 11. 9 · 12. Compound · 13. more · 14. risk · 15. Diversification · 16. fees · 17. real estate · 18. loans