AP BUSINESS WITH PERSONAL FINANCE

# The Complete Vocab Pack

Every key term for the first AP Business with Personal Finance exam (May 2027), defined in plain language and organized by unit. Definitions are original to Mamako and aligned to the public course framework.

- Orange-marked terms are the most commonly confused pairs. Learn those twice.

THE FIVE UNITS

**1** Businesses, Competition, and New Ideas
**2** Marketing
**3** Personal Saving and Borrowing / Business Finance and Accounting
**4** Management and Strategy
**5** Personal Goals, Budgeting, and Investing

## Unit 1: Businesses, Competition, and New Ideas

20-30% OF THE EXAM

**Organization.** A group of people working toward a shared goal or purpose.

**Business.** An organization or entity that produces and distributes products, meaning goods, services, or both.

**Goods.** Tangible products that can be physically held or used, like a phone or a textbook.

**Services.** Work performed for customers in exchange for payment, like a haircut or a flight.

**Need.** • Something essential for survival, such as food, water, shelter, or basic healthcare.

**Want.** • Something that improves quality of life without being essential for survival.

**Market Opportunity.** A customer problem, need, or want that a business could potentially address.

**Customer.** • The individual or business that purchases a good or service and makes the buying decision.

**Consumer.** • The individual who actually uses a good or service, whether or not they bought it.

**Voluntary Exchange.** A trade both sides choose to make because both expect to benefit; it generates revenue for sellers and value for buyers.

**Problem-Solution Fit.** The strength of the match between a real customer problem and the product built to solve it.

**Value.** What a product is worth to customers, often measured by the most they would willingly pay.

**Value Creation.** • Providing a product that genuinely responds to customers' problems, needs, or wants.

**Value Capture.** • Charging a price above what the product cost to produce and deliver; computed as price charged minus cost.

**Revenue.** • Money a business takes in from selling, before any expenses come out.

**Profit.** • What remains for the business after every expense is subtracted from revenue.

**Market.** Any physical or virtual space where sellers and buyers interact; markets can be local, regional, or global.

**Market Price.** The prevailing going price that emerges in a competitive market as sellers push prices up and buyers push them down.

**Monopoly.** A market with no competition: a single business offering a unique product.

**Rival Businesses.** Businesses competing for the same customers in the same market.

**Competitive Advantage.** A business's ability to outperform its rivals, leading to greater market share and potentially greater profit.

**Product Differentiation.** • Building meaningful distinguishing features into a product so it stops being interchangeable with rivals' products.

**Barriers to Entry.** • Obstacles that make it hard for new competitors to enter a market, such as patents, regulations, supplier access, high startup costs, or scale-enabled low prices.

**Intellectual Property Rights.** Legal protections, including patents, trademarks, and copyrights, that stop others from copying creations.

**PESTEL Analysis.** A framework for scanning the political, economic, social, technological, environmental, and legal forces around a business.

**Subsidy.** Money or support a government provides to encourage a particular business activity.

**Mandate.** A rule the government requires businesses or individuals to follow.

**Viable.** Realistically able to survive and succeed as a business.

**Entrepreneur.** Someone who builds a new business and personally accepts its risks in exchange for its potential rewards.

**Market Research.** Gathering information about customers, rivals, and the market itself.

**Technical Research.** Investigating whether a product can actually be built and delivered as imagined.

**Design Thinking.** A problem-solving approach centered on understanding users, testing ideas, and refining solutions.

**Prototype.** An early working model of a product used to test the idea and collect feedback.

**Minimum Viable Product (MVP).** The simplest testable version of a product, built to learn from real customers quickly.

**Brainstorming.** Generating a wide pool of ideas before judging or narrowing them.

**Core Values.** The defining beliefs that guide a business's decisions and behavior.

**Core Competencies.** The specific capabilities, skills, and expertise that let a business compete well.

**Vision Statement.** A description of what the business aspires to become or achieve.

**Mission Statement.** A statement of what the business does, whom it serves, and how.

**Social Enterprise.** A business pursuing profit and a social objective at the same time.

**Nonprofit Organization.** An organization that exists to pursue a mission rather than to distribute profit to owners.

**Business Ethics.** The standards and principles that guide responsible business conduct.

**Incentive.** A reward or motivation that pushes people toward a particular action.

**Code of Conduct.** A formal written set of expectations for ethical behavior inside an organization.

**Ethical Dilemma.** A situation forcing a choice between competing ethical considerations.

**Internal Stakeholders.** People inside the business affected by its decisions: employees, managers, owners.

**External Stakeholders.** People and groups outside the business affected by its decisions: customers, suppliers, communities, government.

**Sole Proprietorship.** A business owned and run by one person, who keeps control and profits but carries full personal responsibility.

**Partnership.** A business owned by two or more people, whose partners are personally liable for its debts and obligations.

**Limited Liability Company (LLC).** A structure giving owners liability protection along with flexible management.

**Corporation.** A business that is legally separate from its owners and can raise capital by selling shares of stock.

**Organizational Structure.** How a business arranges roles, responsibilities, authority, and communication.

**Board of Directors.** The elected group that oversees a corporation on behalf of its shareholders.

**Chief Executive Officer (CEO).** The top executive responsible for overall strategy and performance.

**Outsourcing.** Paying an outside business or person to do work that could have been done internally.

**Sales.** The activities aimed at persuading customers to complete a purchase.

**Research and Development (R&D) Department.** The team that creates and improves products, services, and processes.

**Operations Department.** The team that produces and delivers the product efficiently.

**Finance Department.** The team that manages money, budgets, and financing decisions.

**Accounting Department.** The team that records, organizes, and reports financial information.

**Human Resources (HR) Department.** The team that recruits, trains, supports, and manages employees.

**Artisan Processes.** Production by skilled workers making customized or handcrafted items.

**Mass-Production Processes.** Production methods for turning out large volumes of standardized products efficiently.

**Supply Chain.** The full network of steps and parties involved in producing and delivering a product.

**Distributor.** A business that moves products from producers toward retailers or customers.

**Distribution Centers.** Facilities that store products and ship them onward to retailers or customers.

## Unit 2: Marketing

20-30% OF THE EXAM

**Marketing.** Understanding customers and creating, communicating, delivering, and exchanging value with them.

**Customer Data.** Collected information about customers, their traits, behaviors, and preferences.

**Demographic Data.** Measurable customer characteristics like age, income, education, and location.

**Psychographic Data.** Customers' values, interests, attitudes, motivations, and lifestyles.

**Market Segmentation.** Splitting a market into smaller groups whose members share characteristics.

**Target Customers.** The specific group of customers a business chooses to serve.

**Customer Profile.** A sketch of the traits, preferences, and behaviors of a likely customer.

**Customer Acquisition Cost.** What it costs, on average, to win one new customer.

**Customer Lifetime Value.** The total value one customer is expected to bring over the whole relationship.

**Referral.** A recommendation from an existing customer that brings in a new one.

**Data Breach.** An unauthorized exposure or release of sensitive information.

**Identity Theft.** Fraudulent use of someone else's personal information.

**Consumer Behavior.** The study of how people actually make purchasing decisions.

**Personal Factors.** Individual traits like age, income, occupation, and lifestyle that shape buying decisions.

**Psychological Factors.** Motivations, perceptions, beliefs, attitudes, and emotions that shape buying decisions.

**Sociological Factors.** Social influences on buying, such as family, peers, culture, and social groups.

**Situational Factors.** Temporary conditions and circumstances that affect a purchase decision.

**Purchasing Patterns.** The recurring habits consumers show in how, when, and what they buy.

**Consumer Psychology.** How thoughts, emotions, and perceptions drive purchasing decisions.

**Scarcity Principle.** People value products more when they seem limited or hard to get.

**Authority Principle.** People follow recommendations from experts and trusted authorities.

**Consensus Principle.** People are swayed by what others are doing and saying.

**Liking Principle.** People are more easily persuaded by those they like or relate to.

**Reciprocity Principle.** People feel pulled to return favors and generosity.

**Consistency Principle.** People act in line with commitments they have already made.

**Unity Principle.** People are influenced by those they see as part of their own group or identity.

**Quantitative Data.** Numerical data that can be measured and analyzed mathematically.

**Qualitative Data.** Descriptive data such as opinions, experiences, and explanations.

**Feasibility.** • Whether an idea can realistically be built and delivered with available time and resources.

**Viability.** Whether a business idea can realistically succeed and sustain itself.

**Primary Source.** Original information collected firsthand, directly from customers or the field.

**Secondary Source.** Existing information already collected and published by someone else.

**Business Hypotheses.** Testable assumptions about customers, products, or markets.

**Hypothesis Testing.** Collecting evidence to see whether an assumption holds up.

**Survey.** A set of questions used to gather data from many respondents.

**Focus Group.** A small guided discussion used to gather impressions of a product or idea.

**Experiment.** A structured test measuring real behavior in response to a change.

**A/B Testing.** Comparing two versions against each other to see which performs better.

**Data Visualization.** A chart or graph that displays data visually.

**Bar Chart.** A chart comparing quantities across categories with bars.

**Stacked Bar Chart.** A bar chart showing totals along with each subcategory's contribution.

**Line Graph.** A graph showing how values change over time.

**Pie Chart.** A circular chart showing the parts of a whole.

**Product.** A good or service offered to customers.

**Product Development.** Creating, improving, and refining products over time.

**Ideation.** Generating and developing new ideas.

**Validation.** Testing whether an idea truly solves a customer problem before committing to it.

**Product-Market Fit.** The degree to which a product meets strong, real market demand.

**Value Proposition.** A clear statement of the value a product delivers, whom it serves, and why to choose it over alternatives.

**Brand.** The full set of associations, perceptions, and expectations customers attach to a business or product.

**Product Life Cycle (PLC).** The stages a product moves through from introduction to decline.

**Introduction Stage.** The launch stage, when a product first enters the market.

**Growth Stage.** The stage when sales climb quickly and acceptance spreads.

**Maturity Stage.** The stage when growth slows and competition intensifies.

**Decline Stage.** The stage when sales and demand shrink.

**Pricing Strategy.** A deliberate plan for setting prices to meet business goals.

**Perceived Value.** The value customers believe a product provides.

**Per-Unit Cost.** The average cost to produce one unit.

**Per-Unit Profit Margin.** The profit earned on each unit sold.

**Cost-Based Pricing.** Setting price from production cost plus a desired profit.

**Competitive Pricing.** Setting price relative to what competitors charge.

**Value-Based Pricing.** Setting price from what customers perceive the product to be worth.

**Penetration Pricing.** Launching at a low price to win market share fast.

**Pricing Power.** The ability to raise prices without losing much demand.

**Price Elasticity of Demand.** How strongly customer demand responds when price changes.

**Collusion.** An illegal agreement among competitors to coordinate prices or divide a market.

**Price Gouging.** Charging exploitative prices during emergencies or shortages.

**Price Discrimination.** Charging different customers different prices for the same product.

**Place.** How and where a product reaches its customers.

**Distribution Channel.** The path a product travels from producer to customer.

**Direct Distribution Channel.** Selling straight from the business to the customer.

**Indirect Distribution Channel.** Selling through intermediaries such as wholesalers or retailers.

**Business-to-Business (B2B).** One business selling to another business.

**Business-to-Consumer (B2C).** A business selling directly to individual consumers.

**Promotion.** Communication that informs, persuades, or reminds customers.

**Marketing Campaign.** A coordinated set of promotional messages and activities.

**Promotional Mix.** The combination of promotional tools a business uses.

**Media Advertising.** Paid promotional messages delivered through media channels.

**Personal Selling.** Direct salesperson-to-customer interaction to encourage a purchase.

**Sales Pitch.** A persuasive presentation built to win a purchase or investment.

**Sales Promotion.** Short-term incentives that nudge customers to buy now.

**Direct Marketing.** Promotional messages sent straight to targeted customers.

**Public Relations (PR).** Activities that build and protect a positive public image.

**Digital Marketing.** Promotion through online tools: websites, social media, email, and search.

**Big Data.** Very large, complex data sets analyzed to find patterns and guide decisions.

## Unit 3, Part 1: Personal Saving and Borrowing

25-35% WITH PART 2

**Personal Finance.** Managing your own money: earning, spending, saving, borrowing, and investing.

**Savings.** Money set aside now for future use.

**Interest.** The price of money: what borrowers pay to borrow and savers earn for saving.

**Principal.** The original amount saved or borrowed, before interest.

**Simple Interest.** • Interest calculated only on the principal.

**Compound Interest.** • Interest calculated on the principal plus previously earned interest, so growth accelerates over time.

**Annual Percentage Yield (APY).** The true yearly rate earned on savings once compounding is included.

**Opportunity Cost.** The value of the best alternative you give up when you choose.

**Trade-Offs.** The exchanges accepted in every choice: getting one thing means giving up another.

**Liquidity.** How quickly and easily an asset converts to spendable cash without losing value.

**Emergency Fund.** Savings held for unexpected expenses, commonly several months of living costs.

**Checking Account.** A bank account built for frequent everyday transactions.

**Savings Account.** A bank account built for storing money and earning interest.

**Certificate of Deposit (CD).** A savings product paying higher interest in exchange for locking money up for a set term.

**Money Market Account.** A savings account variant that typically pays more interest with some restrictions.

**Inflation.** A general rise in prices that erodes what each unit of money buys.

**Purchasing Power.** How much your money can actually buy.

**Borrowing.** Using someone else's money now in exchange for repayment later, usually with interest.

**Credit.** The ability to borrow based on trust that you will repay.

**Debt.** Money owed.

**Annual Percentage Rate (APR).** The yearly cost of borrowing, including interest and certain fees.

**Collateral.** An asset pledged to secure a loan, which the lender can take if the borrower defaults.

**Secured Loan.** A loan backed by collateral.

**Unsecured Loan.** A loan backed only by the borrower's promise and creditworthiness.

**Mortgage.** A long-term loan for buying property, secured by the property itself.

**Auto Loan.** A loan for buying a vehicle, usually secured by the vehicle.

**Student Loan.** A loan that finances education costs.

**Payday Loan.** A very short-term, very high-cost loan; among the most expensive ways to borrow.

**Credit Card.** Revolving borrowing that lets you pay later, with interest charged on unpaid balances.

**Minimum Payment.** The smallest allowed payment on a debt; paying only this maximizes interest paid over time.

**Default.** Failing to repay a debt as agreed.

**Credit Score.** A number summarizing how reliably a person has handled credit.

**Credit Report.** The detailed record of a person's borrowing and repayment history.

**Creditworthiness.** A lender's judgment of how likely a borrower is to repay.

## Unit 3, Part 2: Business Finance and Accounting

**Accounting.** Recording, organizing, and reporting a business's financial information.

**Financial Management.** Planning and controlling a business's money to reach its goals.

**Financial Statements.** The formal reports summarizing a business's financial position and performance.

**Business Expenses.** The costs a business pays to operate.

**Fixed Costs.** • Costs that stay the same regardless of how much is produced, like rent.

**Variable Costs.** • Costs that rise and fall with production volume, like materials.

**Total Cost.** Fixed costs plus variable costs.

**Break-Even Point.** The sales level where total revenue exactly covers total cost.

**Financial Capital.** The money a business uses to operate and grow.

**Debt Financing.** • Raising capital by borrowing, which must be repaid with interest.

**Equity Financing.** • Raising capital by selling ownership stakes in the business.

**Investor.** Someone who provides capital expecting a future return.

**Shareholder.** An owner of shares in a corporation.

**Dividend.** A portion of profit a corporation distributes to shareholders.

**Income Statement.** The report showing revenues, expenses, and profit or loss over a period.

**Cost of Goods Sold (COGS).** The direct costs of producing what was sold.

**Gross Profit.** • Revenue minus cost of goods sold.

**Operating Expenses.** The ongoing costs of running the business outside direct production.

**Net Income.** • The bottom line: what remains after all expenses, often called profit.

**Balance Sheet.** The report showing what a business owns, owes, and is worth at one moment in time.

**Assets.** • What a business owns that has value.

**Liabilities.** • What a business owes to others.

**Equity.** The owners' claim: assets minus liabilities.

**Accounting Equation.** Assets equal liabilities plus equity.

**Net Worth.** The value left after subtracting everything owed from everything owned.

**Cash Flow Statement.** The report tracking actual cash moving in and out over a period.

**Cash Inflows.** Cash coming into the business.

**Cash Outflows.** Cash leaving the business.

**Positive Cash Flow.** More cash coming in than going out.

**Negative Cash Flow.** More cash going out than coming in.

**Insolvency.** Being unable to pay debts as they come due.

**Transparency.** Reporting financial information openly, accurately, and completely.

**Fraud.** Deliberate deception for financial gain.

**Audit.** An independent examination of financial records for accuracy and honesty.

## Unit 4: Management and Strategy

15-20% OF THE EXAM

**Management.** Coordinating people and resources to achieve the organization's goals.

**Leadership.** Inspiring and guiding people toward a shared vision.

**Autocratic Leadership.** A style where the leader decides alone and directs closely.

**Democratic Leadership.** A style where the leader involves the team in decisions.

**Laissez-Faire Leadership.** A hands-off style leaving most decisions to the team.

**Transformational Leadership.** A style focused on inspiring change and elevating what people believe they can do.

**Servant Leadership.** A style that puts serving and developing team members first.

**Emotional Intelligence.** The ability to understand and manage your own emotions and read others' well.

**Delegation.** Assigning tasks and authority to others while keeping accountability.

**Key Performance Indicators (KPIs).** The specific measurable numbers a business tracks to judge performance.

**Metrics.** Quantifiable measures used to track activities and results.

**Benchmark.** A standard or reference point used for comparison.

**Market Share.** One business's portion of its market's total sales.

**Customer Satisfaction.** How well the business meets or beats customer expectations.

**Customer Retention.** Keeping existing customers coming back over time.

**Employee Turnover.** The rate at which employees leave and must be replaced.

**Productivity.** Output produced relative to the inputs used.

**Efficiency.** Achieving results with the least waste of time, money, and resources.

**Strategy.** A deliberate plan for how the business will win.

**Strategic Planning.** Setting long-term direction and deciding how to get there.

**Decision-Making Process.** A structured sequence of steps for making sound choices.

**PACED Decision-Making Model.** A stepwise model: define the Problem, list Alternatives, set Criteria, Evaluate, then Decide.

**Criteria.** The standards used to judge between alternatives.

**Alternatives.** The different options available in a decision.

**Cost-Benefit Analysis.** Weighing what a choice costs against what it returns.

**Strategic Frameworks.** Standard analytical tools that structure strategic thinking.

**SWOT Analysis.** An assessment of internal Strengths and Weaknesses alongside external Opportunities and Threats.

**Porter's Five Forces.** A framework rating industry competitiveness across five pressures: rivalry, new entrants, substitutes, buyer power, and supplier power.

**Threat of New Entrants.** How easily new competitors can enter the industry.

**Bargaining Power of Buyers.** How much leverage customers hold over prices and terms.

**Bargaining Power of Suppliers.** How much leverage suppliers hold over costs and terms.

**Threat of Substitutes.** How easily customers can meet the same need a different way.

**Competitive Rivalry.** How intensely existing competitors fight for the same customers.

## Unit 5: Personal Goals, Budgeting, and Investing

PART OF EXAM WEIGHTING ABOVE

**Gross Income.** Total earnings before anything is taken out.

**Net Income (Personal).** Take-home pay after taxes and deductions.

**Taxes.** Required payments to government that fund public goods and services.

**Income Tax.** Tax charged on what you earn.

**Payroll Taxes.** Taxes withheld from wages to fund programs like Social Security and Medicare.

**Sales Tax.** Tax added to purchases at the point of sale.

**Property Tax.** Tax charged on owned property, such as a home.

**Tax Deduction.** ● An amount subtracted from income before tax is calculated.

**Tax Credit.** ● An amount subtracted directly from the tax owed.

**W-4 Form.** The form telling an employer how much tax to withhold from your pay.

**W-2 Form.** The year-end form reporting what you earned and what was withheld.

**Budget.** A plan matching money coming in with money going out.

**Budgeting.** Deliberately planning and tracking spending against income.

**50/30/20 Rule.** A budgeting guideline: about half of income to needs, thirty percent to wants, twenty percent to savings and debt.

**Pay Yourself First.** Treating saving as the first bill you pay, not what's left over.

**Risk.** The chance of loss or of an outcome different from what you expected.

**Risk Management.** Identifying risks and deciding how to reduce, avoid, transfer, or accept them.

**Insurance.** Paying a known premium to transfer the cost of large unexpected losses to an insurer.

**Premium.** ● The regular payment for an insurance policy.

**Deductible.** ● What you pay out of pocket before insurance starts covering a loss.

**Policy.** The contract spelling out what insurance covers and on what terms.

**Health Insurance.** Coverage for medical costs.

**Auto Insurance.** Coverage for vehicle-related damage and liability.

**Renters/Homeowners Insurance.** Coverage for your home and belongings.

**Life Insurance.** Coverage paying beneficiaries if the insured person dies.

**Disability Insurance.** Coverage replacing income if you cannot work.

**Liability.** Legal responsibility for harm or loss to others.

**Investing.** Putting money into assets expected to grow in value over time.

**Return.** What an investment earns or loses.

**Risk-Return Trade-Off.** Higher potential returns come with higher potential losses.

**Diversification.** Spreading money across different investments so no single failure sinks you.

**Portfolio.** The full collection of a person's investments.

**Stock.** A share of ownership in a corporation.

**Bond.** A loan to a company or government that pays interest and returns principal.

**Mutual Fund.** A professionally managed pooled fund holding many investments.

**Index Fund.** A low-cost fund that simply tracks a market index.

**Exchange-Traded Fund (ETF).** A fund that trades on exchanges like a stock while holding a basket of assets.

**Capital Gain.** Profit from selling an asset for more than you paid.

**Time Horizon.** How long until you need the money you are investing.

**Dollar-Cost Averaging.** Investing a fixed amount on a regular schedule regardless of price.

**Retirement Accounts (401(k), IRA).** Tax-advantaged accounts built for long-term retirement saving.

**Employer Match.** Free retirement money an employer contributes when you contribute.

**Financial Goals.** Specific targets for saving, spending, and investing, set across short and long time frames.