THE WRITTEN HALF

Forty Percent Of Your Exam

NAME ____________________________

TODAY

We have spent six weeks on content and MCQs.
This week we delve into the FRQ portion of the test.

1 PART ONE
The shape of it

Q	WHAT IT IS	WEIGHT · TIME	WHERE THE CONTENT COMES FROM
1	**Your Business Canvas**	**15% · 25 min**	Your own project. Nothing to revise, only to remember.
2	**Personal Finance**	5% · 13 min	Unit 3 Part 1, saving and borrowing. Around January.
3	**Business Concept Application**	5% · 13 min	Research methods, Unit 1.4 and Unit 2.3.
4	**Business Decision**	**15% · 40 min**	Part A is PESTEL, already done. Part B needs Unit 3 Part 2, around March.

REMINDER

Straight from the CED, quoted: the exam is

<u>2 hours and 40 minutes</u>

60 multiple choice (MCQ) and 4 free responses.

MCQ is	**60 questions**	**(60 percent)**	**70 minutes.**
FRQ is	**4 questions**	**(40 percent)**	**90 minutes.**

2 PART TWO
Read the verb first

Most marks lost on these questions are lost by writing the wrong amount.

An explanation where a description was wanted.

A description where a recommendation was wanted. College Board publishes what each verb demands.

VERB	WHAT IT DEMANDS	SO YOUR ANSWER IS
Identify	Point at the thing. No elaboration.	One sentence. Often a number.
Describe	Give the relevant characteristics of it.	What it is. Still no why.
Explain	How or why, with evidence or reasoning behind the claim.	A claim plus the because.
Compare	Similarities, differences, or both.	Both sides, side by side.
Recommend	Name a course of action and support it with evidence.	A choice, reasons, evidence. All three.

YOUR TURN THE SAME FACT, THREE WAYS

A coffee shop raised its prices by ten percent and lost a fifth of its customers.

Write one line for Identify, one for Describe, one for Explain.

Identify

Describe

Explain

CHECK YOURSELF   COVER THIS UNTIL YOU HAVE TRIED IT

Identify: the shop lost twenty percent of its customers after a ten percent price rise. That is it.

Describe: the loss was a fifth of the customer base, it followed a ten percent rise across the menu, and it happened after the change rather than before.

Explain: the rise pushed the price past what those customers thought a coffee was worth, so they went elsewhere, and we know the price caused it because the drop followed the rise rather than preceding it. Notice that only the third one contains the word because.

3

PART THREE

Reading the data

WORKED FOR YOU · THE SMITH HOUSEHOLD

Scott and Anna Smith have two children.

They take home $5,200 a month.

They want to replace an old scooter with a car, which means a $450 monthly payment instead of the $150 they pay now. They carry $3,000 on a store credit card at 21 percent interest rate, and they want to start saving for their children's education.

Take-home pay	**$5,200**
Housing, groceries, transport, everything else	**$5,050**
Spare each month	**$150**
Extra cost of the car, over the scooter	**$300**
Where that leaves them	**minus $150**

THE FINDING

The car costs twice what they have spare.
Taking it puts them $150 short every month, before saving a cent for their children or paying anything off a card charging 21 percent.

WORKED FOR YOU · CLEARWATER BOTTLES

Clearwater makes reusable water bottles and wants to increase gross profit.

It asked 800 people whether they would buy at three prices.

A bottle costs $4 to make, so the money made per sale is the price minus $4.

PRICE	BUYERS	MADE PER SALE	MADE IN TOTAL
$30	180	$26	$4,680
$20	300	$16	$4,800
$12	460	$8	$3,680

EXAMPLE FINDING

The best price is neither the highest nor the lowest. $20 wins, and only just. Charging $12 more than doubles the number of buyers and still makes less money than $30. Notice the answer needed a number the chart never shows: the $4 cost, which is in the paragraph above it.

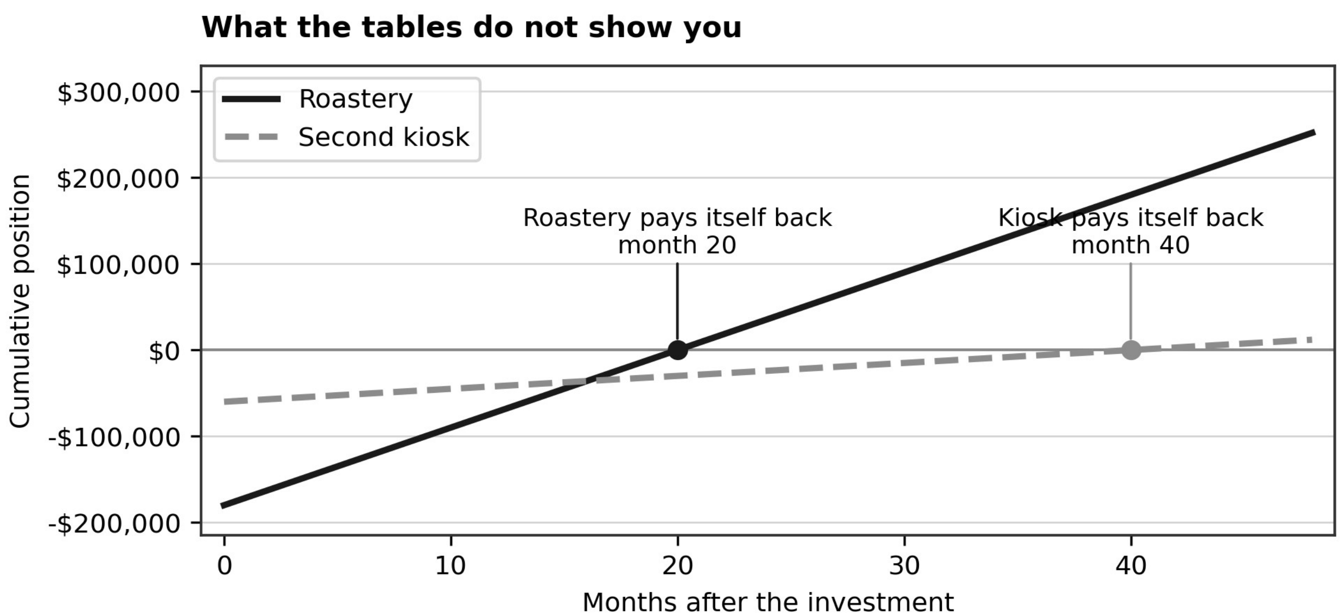
WORKED FOR YOU · TURNER COFFEE

Turner Coffee can build a small roastery or open a second kiosk. The tables give costs and revenue separately. What matters is neither: how many months each takes to pay back what it cost.

	ROASTERY	SECOND KIOSK
One-time investment	$180,000	$60,000
Extra revenue each month	$23,000	$9,500
Extra costs each month	$14,000	$8,000
So gained each month	**$9,000**	**$1,500**
Months to pay it back	**20**	**40**

CHECK YOURSELF COVER THIS UNTIL YOU HAVE TRIED IT

Roastery: $23,000 minus $14,000 is $9,000 gained each month.
$180,000 divided by $9,000 is 20 months. Kiosk: $9,500 minus $8,000 is $1,500 a month. $60,000 divided by $1,500 is 40 months.
The kiosk costs a third as much and takes twice as long to pay for itself, which is the opposite of what the price tags suggest.



THE MOVE, WHATEVER THE SCENARIO

Find the goal, which is in the first paragraph.
Find the number that is missing.
Write the number in your answer, then say what it means for the goal.

4 PART FOUR
What a full-mark answer looks like

Question 1 is the only question on the exam where the content comes from your own head (<- Since it's about your business idea).

A full-mark example answer for part A

A student answered a homework-tracking app. Every sentence lands one point.

I built an app that lets students photograph an assignment sheet and get reminders before it is due.	the product
It is for high school students taking four or more classes who use paper planners or nothing at all.	target customer
Over sixty percent of the students I surveyed had forgotten at least one assignment in the past month.	the problem
It creates value because it removes the step where a student has to remember to write something down, which is where the failure happens.	how it creates value

A full-mark answer for part C

My hypothesis was that students would pay $2.99 a month rather than use a free paper planner.	the hypothesis
I surveyed eighty-four students at two schools and ran the same signup page at two prices.	research method
Only nine percent said they would pay $2.99, but forty-one percent said they would pay $0.99.	the evidence
So I dropped the price to $0.99 and moved to volume rather than margin, because a price four times lower brought more than four times the willingness to buy.	what it changed

5 PART FIVE

How to spend forty minutes on Question 4

Question 4 is worth as much as Question 1.

Fifteen percent.

Approximate tactical timing for how long to spend on this question.

MINUTES	DOING	WHAT THAT MEANS
0 to 5	**Read**	Read once without annotating.
5 to 10	**Mine the tables**	Circle the total investment for each option. Pick one more financial number and one nonfinancial measure. Six figures in the margin.
10 to 20	**Part A**	One factor with the clearest evidence.
20 to 30	**Part B**	Three criteria, a paragraph each, a number in every one.
30 to 40	**Part C**	Pick one, say why, support it. Reuse your criteria from part B.

PRACTICE SET ONE · SEPTEMBER

Four Questions For Real This Time - Lets Run Through a Practice - Lets do it!!!

Q	WHAT IT IS	WEIGHT	YOU HAVE
1	Your Business Canvas	15%	20 minutes
2	Personal Finance	5%	13 minutes
3	Business Concept Application	5%	13 minutes
4	Business Decision	15%	30 minutes

BEFORE YOU START

These questions are modeled on the example questions the College Board publishes for this course.

The scenarios and numbers are ours; the structure, wording, and scoring follow the real thing.

A few parts rely on content from Unit 2 or Unit 3 and are marked SKIP.

1 Your Business Canvas

A **Pitch** your Business Canvas Project product. In your response you should include the following: (a bit of overlap with the other packet but thats fine)

- a brief description of your product
- your target customer profile
- the problem, need, or want your product is intended to address
- how or why your product creates value for customers

B **Describe** one reason a business would validate problem-solution fit.

C **Explain** how you tested a hypothesis about problem-solution fit in your Business Canvas Project. In your response you should include the following:

- your hypothesis
- a research method you used
- the evidence you collected
- how the evidence shaped your decision making

SKIP THIS ONE. We have not covered it yet. It arrives in Unit 2.

D **Describe** the purpose of a distribution channel in business, then explain whether access to one is a challenge to the viability of your product idea.

SKIP THIS ONE. We have not covered it yet. It arrives in Unit 2.

2 Personal Finance

Jemba and Dana Cooperman have one daughter, Jada, who is twelve. Jemba takes home $2,900 a month as a hospital technician and Dana takes home $2,600 running her own catering business. They own both their cars outright.

They carry $4,500 on a credit card charging 24 percent a year, which they have been paying down slowly.

Their main goal is to have $12,000 saved in six years to help Kada with college.

They would also like to take a family trip next summer.

COOPERMAN FAMILY BUDGET

MONTHLY INCOME	
Jemba, take-home pay	$2,900
Dana, take-home pay	$2,600
MONTHLY PLANNED EXPENSES	
Housing, utilities, phone, internet	$3,300
Groceries and household	$750
Transport and fuel	$400
Insurance	$250
Everything else	$500

A	**Identify** a difference between the Cooperman family's monthly take-home pay and their monthly planned expenses, using data from the scenario.

B	**Describe** a financial challenge or opportunity in the scenario that is currently affecting the family's ability to reach one of their goals.

C	**Explain** how one specific action the Cooperman family could take would help

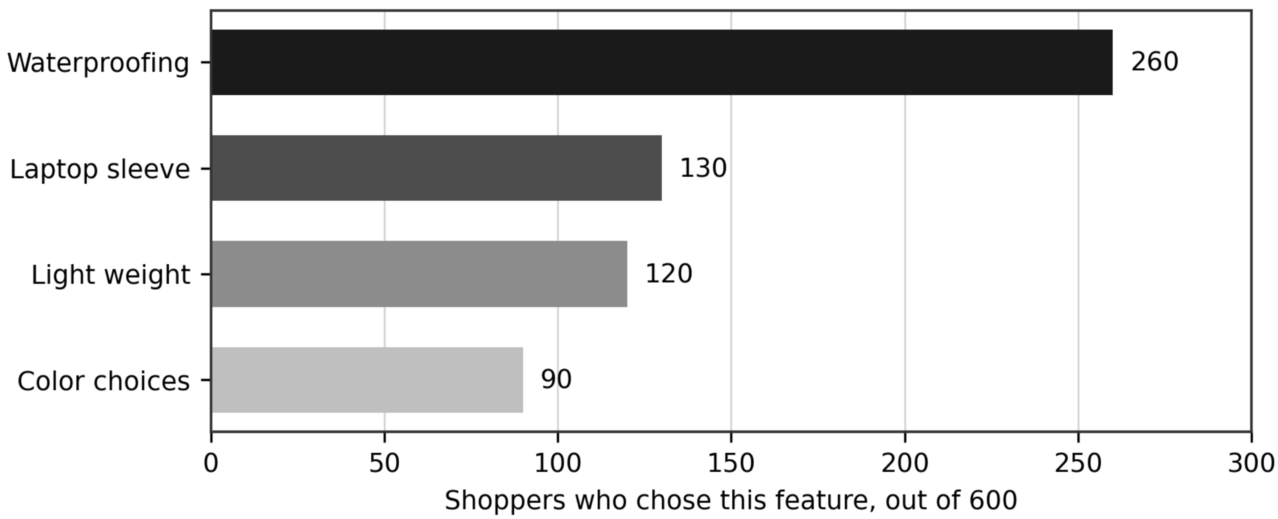
them achieve one of their goals.

3 Business Concept Application

Ridgeline Bags makes backpacks sold in outdoor shops. Its design team wants to decide which feature to build into next year's model, with the goal of increasing the number of customers who buy a second Ridgeline bag.

The team set up a table inside three outdoor shops owned by Jadon Lin, which stock its bags, and asked 600 shoppers a single question on a tablet: which feature matters most to you when buying a backpack? Each shopper chose one. Figure 1 shows the results.

FIGURE 1. Most important feature when buying a backpack



A **Describe** the primary-source research method Ridgeline Bags used to gather the information in Figure 1.

B **Describe** a finding revealed by the research.

C **Explain** how Ridgeline Bags could use a finding from the research to achieve its business goal.

4 Business Decision

You have been retained as a consultant to help the business described below decide between two alternative courses of action.

Harris Bakery has operated on the same street for nine years. Its mission is to bring people together over food made the slow way. It bakes everything on site, sells from one shop front, and has built a following on sourdough and pastry.

Three things have changed in the past two years.

1. A large apartment complex opened four streets away, adding roughly 300 households within walking distance.
2. The town launched a weekend farmers market that now draws several thousand visitors.
3. And a national chain bakery opened a branch in the shopping center at the edge of town, undercutting Harris Bakery on price.

The owners, Nickolas Harris and Samantha Georgi, agree they need to grow. They disagree on how.

NICKS PROPOSAL · START A DELIVERY SERVICE

Buy a small van and an ordering system, and deliver to homes within three miles, including the new apartment complex. Customers order the night before. Nick believes delivery reaches people who would never walk past the shop, and that a standing weekly order is the closest a bakery gets to a subscription.

SAMANTHAS PROPOSAL · TAKE A STALL AT THE FARMERS MARKET

Rent a weekend stall at the town market, staffed by one baker and one server. Sam believes the market puts Harris Bakery in front of thousands of people who have never tasted the bread, and that a market stall is how a small bakery builds a name without an advertising budget.

FIGURE 1. CUSTOMER MEASURES REPORTED BY COMPARABLE BAKERIES

MEASURE	DELIVERY	MARKET STALL
New customers gained each year	up 18 percent	up 25 percent
Customers who buy again	74 percent	61 percent
Average order size	$34	$19
Customer satisfaction, out of 5	4.2	4.7

FIGURE 2. COMPARISON OF FINANCIAL IMPLICATIONS, FIRST YEAR

TOTAL ONE-TIME INVESTMENT COSTS			
NICKS PROPOSAL		SAMS PROPOSAL	
Van	$38,000	Stall and equipment	$6,500
Ordering system	$7,000	Permits and licensing	$1,500
Total one-time investment	**$45,000**	**Total one-time investment**	**$8,000**

ADDITIONAL RECURRING COSTS, EACH MONTH			
NICKS PROPOSAL		SAMS PROPOSAL	
Wages	$7,200	Wages	$2,600
Fuel and vehicle upkeep	$2,800	Stall rent	$1,100
Packaging and supplies	$1,500	Packaging and supplies	$700
Total additional costs	**$11,500**	**Total additional costs**	**$4,400**

PROJECTED REVENUE INCREASE, EACH MONTH			
NICKS PROPOSAL		SAMS PROPOSAL	
Home delivery orders	$14,000	Market stall sales	$4,700
Shop front sales	$0	New shop front visits	$500
Total revenue increase	**$14,000**	**Total revenue increase**	**$5,200**

A **Describe** an internal, a market, or an external factor in the scenario that affects Harris Bakery, then explain why that factor creates an opportunity or a problem for the business.

B There are several financial and nonfinancial criteria that can be used to compare the two proposals.

i. Using total one-time investment costs as a criterion, describe a difference or a similarity between the two courses of action. Include specific evidence related to each.

ii. Using one additional financial criterion relevant to the decision, describe a difference or a similarity between the two courses of action. Include specific evidence related to each.

iii. Using one nonfinancial criterion relevant to the decision, describe a difference or a similarity between the two courses of action. Include specific evidence related to each.

i ,ii, and iii

C Recommend a course of action for Harris Bakery. In your response you should do the following:

- **Recommend** one of the two courses of action in the scenario.
- **Explain** why you recommend that course of action.
- **Support** your recommendation using any three specific criteria, financial or nonfinancial.

Include evidence (think of CER from AST) from the scenario related to each criterion you use.

ANSWERS
QUESTION 1

QUESTION 1 · YOUR BUSINESS CANVAS

No model answer is possible here, because the business is yours. Tick a point only if the thing is actually on your page.

Part A. I described the product. Someone reading it could picture what it is.

Part A. I named a target customer with at least one specific characteristic. Not everyone, not students.

Part A. I named the problem, need, or want it addresses.

Part A. I explained how or why it creates value for that customer.

Part B. I gave a reason a business validates problem-solution fit, such as avoiding the cost of building something nobody needs.

Part C. I stated a hypothesis. A claim I could have been proven wrong about.

Part C. I named a research method. What I did, not just that I did something.

Part C. I gave evidence with a number in it. Not most people, not a lot.

Part C. I said what decision changed, and joined it to the evidence with a because.

Nine points. The two most commonly missed are the target customer, because students hedge it into something that could describe anyone, and the evidence, because it arrives without a figure attached.

QUESTION 2 · THE COOPERMAN FAMILY

Part A. Take-home pay is $2,900 plus $2,600, so $5,500.

Expenses are $3,300 plus $750 plus $400 plus $250 plus $500, so $5,200.

The difference is $300 a month. One line and a number is the whole answer, because Identify does not want more.

Part B. The strongest answer is the credit card. $4,500 at 24 percent costs about $1,080 a year in interest, which is roughly $90 a month gone before anything is repaid. Their college goal needs $12,000 in six years, which is about $167 a month, and they only have $300 spare. The card is eating nearly a third of it.

Accept other challenges if they are named from the scenario and tied to a stated goal.

Part C. Any specific action, explained, that moves them toward a stated goal.
The clearest: put the $300 spare against the card until it is cleared, which clears it in about nineteen months once interest is counted, and then frees roughly $90 a month to redirect into college savings.
Other defensible actions include delaying the trip, or Dana raising catering prices.
What earns the mark is naming one action, saying what it changes, and saying why that helps the goal.

QUESTION 3 · RIDGELINE BAGS

Part A. A survey, collected in person. The team set up a table inside three outdoor shops and asked 600 shoppers a single question on a tablet, with each shopper choosing one feature.

Primary source means Ridgeline gathered it themselves rather than looking it up. Describe wants the method characterized: what kind, run how, on how many people.

Part B. Any finding taken off the chart with a number attached.

The clearest: waterproofing was chosen by 260 of 600 shoppers, which is about 43 percent and exactly twice as many as the next feature, the laptop sleeve at 130.

Color choices came last at 90. An answer with no number does not earn the mark.

Part C. The goal in the opening paragraph is increasing the number of customers who buy a second Ridgeline bag. So the answer must connect a finding to repeat purchase, not to sales in general.
Building waterproofing into next year's model addresses what most customers said mattered most, so the bag is more likely to satisfy them, and a satisfied customer is the one who comes back.
Answers that stop at build waterproofing, without linking to the goal, earn less.

QUESTION 4 · HARRIS BAKERY

Part A. Three factors are available. The apartment complex adding 300 households within walking distance is an opportunity, because it is new demand that did not exist two years ago. The farmers market drawing several thousand visitors is an opportunity, because it is an audience the bakery cannot reach from one shop front. The national chain undercutting on price is a problem, because Harris cannot match a chain's costs and may lose price-sensitive customers.

Any of the three earns full marks if described and then explained.

Part B. One-time investment: delivery costs $45,000 against the stall's $8,000, so delivery costs more than five times as much up front.

One additional financial criterion, any of these: extra revenue each month is $14,000 against $5,200; extra costs each month are $11,500 against $4,400; monthly gain is $2,500 against $800; payback is 18 months against 10.

One nonfinancial criterion, any of these: new customers up 18 percent against 25; repeat purchase 74 percent against 61; average order $34 against $19; satisfaction 4.2 against 4.7. Each of the three needs a number from the scenario attached.

Part C. Either recommendation earns full marks. There is no correct answer, which is why the measures point both ways.
Delivery has the better repeat purchase rate, nearly double the average order, and far more monthly gain.
The stall costs a fifth as much, pays itself back in 10 months against 18, brings in more new customers, and scores higher on satisfaction.
What is marked is whether three specific criteria are named, each with evidence from the scenario, and whether the recommendation actually follows from them.