

Name _____

Date _____

Price to Earnings Ratio Worksheet

The Price to Earnings ratio is thought to be a good indicator when valuing a company. It is a simple reflection of the price of the company's stock divided by the amount of money that the company has earned.

$$\text{P/E ratio} = \frac{\text{Stock Price Per Share}}{\text{Earnings Per Share}}$$

It is commonly accepted that the lower the P/E ratio the better value on the stock for investors. A high P/E ratio is seen as an overpriced stock since you are paying more than the company is making.

1. Calculate the P/E ratio for the Hanna Banana Company. Their earning report indicates earn \$7.84 a share. The current stock price is trading at \$9.28.

2. The current P/E ratio from Apple Corporation is at 13.77. If the current stock price is \$565.25 per share, what is Apple's current earnings per share?

3. You are evaluating the following three companies stocks:

Megatron Corporation

Stock Price = \$52.14 Earnings Per Share = \$28.93

Xsail Corporation

Stock Price = \$8.69 Earnings Per Share = \$7.82

iMoved Corporation

Stock Price = \$9.68 Earnings Per Share = \$11.28

Traditionally, which stock has the best value?

Name _____

Date _____

Answer Key

1. 1.25

2. \$41.05 per share

3. iMoved Corporation (Lowest P/E ratio)