

<b>The Arsen Company</b>						
	<b>EPS=</b>			<b>\$ 600,000</b>		
		<b>(100,000*6/12)</b>	<b>+</b>	<b>(106,000*3/12)</b>	<b>+</b>	<b>(115,000*3/12)</b>
				<b>\$ 600,000</b>		
		<b>50,000</b>	<b>+</b>	<b>26,500</b>	<b>+</b>	<b>28,750</b>
		<b>\$ 600,000</b>	<b>=</b>	<b>\$ 5.70</b>		
		<b>105,250</b>				



Samsun

$$\text{P/E} = \frac{\$ 70}{\$ 25.53} = 3$$

A P/E ratio of 8 means that if you pay \$70 for a share of Samsun Company stock, you will be earning a rate of 12.50% per year. This is calculated by dividing the inverse of 8/1, or 1/8, to get a percentage which represents the annual rate of return, assuming no growth in earnings. If you had more digits in the P/E ratio, you would have gotten 8.40 as your P/E ratio, which would make the rate of return 11.90%.

Arsen

$$\text{P/E} = \frac{\$ 50}{\$ 5.70} = 9$$

This investment will earn a rate of return of 10% which is computed by dividing the inverse of the P/E ratio. (1/10=.1000 or 10%) If you had more digits in the P/E ratio, you would have gotten 10.45 as your P/E ratio and then would have gotten 9.5% as your rate of return.

β of return  
which is .1250  
I gone out 2  
return 11.90%.

u had  
7%