

Student: Adam Clonick **Instructor:** Timmothy Posey **Assignment:** Week 2 Homework
Date: 12/8/14 **Course:** FINC400 D002 Fall 14
Time: 10:18 PM **Book:** Keown/Martin/Petty, Foundations of Finance, 8e

Problem 4- (*Ratio analysis*) Greene Inc.'s balance sheet shows a stockholders' equity value of \$752,900. The firm's earnings per share was \$2.97, resulting in a price/earnings ratio of 12.85X. There are 55,000 shares of common stock outstanding. What is the price/book ratio? What does this indicate about how shareholders view Greene Inc.?

4.

The price/book ratio is . (Round to two decimal places.)

"The price/book ratio indicates that the shareholders believe that the company's shares are worth more than twice their historical cost value on the balance sheet."

Is the above statement true or false? (Select from the drop-down menu.)

True
False