

Price-Earnings Ratio

Summary

This lesson focuses on a real-life business application of ratios - the price to earnings ratio used when looking at stocks. The lesson contains a power point presentation, as well as a worksheet and answer key.

Additional Core Ties

Mathematics Grade 7

[Strand: RATIOS AND PROPORTIONAL RELATIONSHIPS \(7.RP\) Standard 7.RP.2](#)

Mathematics Grade 7

[Strand: RATIOS AND PROPORTIONAL RELATIONSHIPS \(7.RP\) Standard 7.RP.3](#)

Time Frame

1 class periods of 45 minutes each

Group Size

Individual

Life Skills

Thinking & Reasoning

Materials

If you are going to use the Power Point presentation you will need a computer as well as a projector. Students will also need calculators.

Student Prior Knowledge

It is assumed that students have been introduced to and understand the basics of ratios.

Intended Learning Outcomes

After this lesson students will be able to use and understand a real-life application of ratios, the Price/Earnings Ratio.

Instructional Procedures

1. Present the Power Point Presentation to the class. 2. Allow the class to ask any questions they have during the Power Point. 3. Hand out the Price/Earnings Ratio Worksheet. 4. As a class do a few of the problems together. 5. Have students complete the worksheet. 6. Go over the answers to the worksheet when everyone has completed the worksheet.

Strategies for Diverse Learners

Computing Price/Earnings Ratio is fairly simple, but understanding the concept is much more difficult. For struggling students you could modify the worksheet with easier numbers to compute, you can also allow them to use calculators. For advanced students you could have them look online and find some different P/E ratios and determine what companies they would buy if they had the money. You could also have students search for high and low P/E ratios online.

Extensions

1. Have the students write a paragraph explaining the P/E Ratio. 2. Have the students go home and tell their parents about what they have learned about P/E Ratios. 3. Have the students research a specific stock and have them explain the companies P/E Ratio.

Assessment Plan

Use the attached worksheet for students to demonstrate their understanding of Price to Earnings Ratio.

Bibliography

http://en.wikipedia.org/wiki/P/E_ratio & <http://www.investopedia.com/terms/p/price-earningsratio.asp>

Authors

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