

ACTIVITY 11.1

RESEARCHING YOUR STOCK PICKS

Directions: Read the definitions in Part 1. Then choose the companies that you wish to study. List their names in the charts in Part 3. Visit websites that have good financial information such as <http://finance.yahoo.com> or www.morningstar.com to find and record the information requested in each section of the chart. Write the information in the spaces provided.

Part 1: Definitions and Numbers to Help You Understand a Company

Symbol: A stock symbol or ticker symbol is an abbreviation of the company name to be used for purposes of trading.

Stock exchange: The two largest stock markets in the United States are the New York Stock Exchange (now owned by NYSE Euronext) and the NASDAQ.

Market capitalization: This is a measure of the size of a company, based on the dollar value of the company. It is calculated by multiplying the outstanding shares by the current stock price. Typically, companies are placed in one of three categories (but the definitions can vary):

- Large-cap: Value of \$10 billion or more
- Mid-cap: Value of \$2 to \$10 billion
- Small-cap: Value of \$1 billion or less

Share price: This is the price of the stock.

Price/earnings ratio: The price/earnings or P/E ratio is the recent stock price divided by 12 months of earnings per share. It is a measure of how much the investor will pay for a dollar of earnings or profits. A high P/E within an industry could indicate a young, fast-growing company. A low P/E within an industry indicates a less risky, more stable company. Companies with low P/E ratios are more likely to pay dividends. A start-up company may have no earnings yet, and thus no P/E ratio. To learn whether a P/E ratio is high or low, compare the P/E ratio of one company to others in the same industry.

Annual revenue or sales: Sales over the past three-to-five years point to how well a company is doing in its industry. Rising sales suggests that a company is producing goods or services that are popular with its customers.

Earnings per share: Companies that are profitable over the long term tend to have rising share prices. Earnings per share is a measure of how a company's profits compare to the number of shares.

Part 2: Microsoft: A Completed Example

Here is a completed example of a chart using the definitions explained above. The company being studied is Microsoft. The data were obtained from <http://finance.yahoo.com>.

Company Name	Symbol	Exchange	Today's Date	Market Capitalization
Microsoft	MSFT	NASDAQ	Dec. 29, 2011	\$218.55 billion
	Share Price	P/E Ratio	Annual Revenue or Sales	Earnings per Share
	\$25.98	\$9.46	\$71.12 billion	\$2.75

Part 3: Your Turn

Complete the following chart for the companies you selected in the classroom drawing.

Company Name	Symbol	Exchange	Today's Date	Market Capitalization
	Share Price	P/E Ratio	Annual Revenue or Sales	Earnings per Share

Now complete the following three charts for the companies you choose.

Company 1

Company Name	Symbol	Exchange	Today's Date	Market Capitalization
	Share Price	P/E Ratio	Annual Revenue or Sales	Earnings per Share

Company 2

Company Name	Symbol	Exchange	Today's Date	Market Capitalization
	Share Price	P/E Ratio	Annual Revenue or Sales	Earnings per Share

Company 3

Company Name	Symbol	Exchange	Today's Date	Market Capitalization
	Share Price	P/E Ratio	Annual Revenue or Sales	Earnings per Share

ACTIVITY 11.2

COMPANY NAMES FOR CLASS DRAWING

Allstate Insurance ALL	American Eagle Outfitters AEO	American Express Company AXP	Apple Computer Inc. AAPL	Apache Corp. APA
Auto-Zone Inc. AZO	Best Buy Company BBY	Boeing Company BA	Campbell Soup CPB	Cisco Systems CSCO
Coca-Cola Co. KO	Dell Computer DELL	DineEquity, Inc. DIN	Disney Company DIS	ExxonMobile Corp. XOM
FedEx Corp. FDX	Ford Motor Company F	Garmin Ltd. GRMN	Google Inc. GOOG	Harley Davidson HDI
Home Depot Inc. HD	Johnson & Johnson JNJ	Macy's Inc. M	McDonalds Corp. MCD	Nokia Corp. NOK
Proctor & Gamble Co. PG	Southwest Airlines Co. LUV	Starbucks Corp. SBUX	Target Corp. TGT	Verizon Communications VZ