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Discussion and Conclusions of Analysis

\nFinancial Ratios are often used to describe the different values of a stock. In the financial industry, there are different ratios that can be computed to determine how overvalued or undervalued a company presently is. One of the most commonly computed financial ratios is the P/E ratio (Price to Earnings). To compute for the P/E ratio, two variable values have to be available; the current and past share price (depends on the time horizon the analyst wants to compute for a particular stock), and the earnings per share . These two variable data can often be found on company disclosure websites and from publishers of corporate financial reports. A high P/E often means that the company is overvalued while a low P/E means that it is undervalued .\nBased on the table above, the P/E ratio of the Bank of America grew by roughly 16. 37% based on its share price and earnings per share values from the year end of 2013 up to the present month of November of 2014. This may not necessarily mean that the stock is already overvalued. A more accurate and reliable inference would be that the stock's value, considering its share price and earnings per outstanding number of shares, became higher by 16. 37%. This also means that any investor or trader who has placed a position on the Bank of America's stock in the past year may have already realized a 16. 37% gain in their respective positions because P/E growth often has a directly proportional relationship with the stock's price, considering the earnings per share remains stagnant or increases in very little increments.\n

Works Cited

\nBodhanwala, R. " Testing the Efficiency of Price-Earnings Ratio in Constructing Portfolio." IUP Journal of Applied Finance (2014): 111-118.\nBruce, J. and R. Zhao. " Contrarian Share Price Reactiosn to earnings Surprises." Journal of Accounting, Auditing, and Finance (2012): 236-266.