

Answer on Question#38515 – Economics - Economics of Enterprise

Salary of \$400,000 per year,
bonus 2 percent of profits,
option to buy 5,000 shares for \$50
the market price of the stock is \$70
the firm's profits are \$12,000,000.

The total compensation for the year is
 $400,000 + 0.02 * 12,000,000 + (70 - 50) * 5,000 = \$740,000$