Module 7 Discussion Post

For this module, the required reading is selected pages from two chapters:

- **Chapter 14, pages 582–599** (financial statement analysis)
- **Chapter 15, pages 617–631** (financial condition analysis)

Watch the lecture video first, then read these pages. The video will show you where to focus.

Then **choose three of the seven questions** below and write a discussion post of ~**500 words**. You do not need to answer all seven. Pick the three you find most interesting. Answer in your own words. A good post shows you understand the concept well enough to explain it to someone who has not watched the lecture, and uses an example wherever you can from your own experience or an organization you know.

Questions (pick three)

1. **Liquidity ratios.** Explain what liquidity means for an organization. The lecture names three liquidity ratios: the current ratio, the quick ratio, and days of cash on hand. Describe the question each one answers.

2. **Current ratio.** Explain how the current ratio is calculated and what a ratio of 1.0 means. The lecture suggests a target of about 1.0 to 2.0. Explain why a ratio that is too low is a problem.

3. **An efficiency ratio.** Choose one efficiency ratio from the lecture: receivables turnover, inventory turnover, or fixed asset turnover. Explain how it is calculated and what it measures. What does a higher or a lower value tell you?

4. **Debt to equity.** Explain what the debt-to-equity ratio compares. For a nonprofit, "equity" means net assets. What does a ratio above 1.0 tell you? Explain why a rising ratio can be a warning sign, and describe a situation where taking on more debt could still be a sound choice.

5. **Return on assets.** Explain what return on total assets measures and how it differs from return on net assets. A nonprofit or government does not aim to earn a profit. Why should it still care about this ratio? What would a negative return several years in a row tell you?

6. **Total margin.** Explain what total margin measures and what a negative margin means. The lecture says an occasional deficit can be acceptable, but persistent deficits are a warning sign. Give an example of a deficit year that would not worry you, and explain why.

7. **Making comparisons.** The lecture says a single ratio by itself tells you very little. Explain the three comparisons you should make for every ratio. Then pick an organization you know. Which peer organizations would you compare it with, and why?

Also include

Close your post by noting, in a sentence or two, which part of the reading or lecture you found most difficult, or what question you still have.

Responding to classmates

After posting, respond to **at least one classmate's post** with a thoughtful reply that adds to the discussion. Where you can, reply to someone who answered a question you did not choose.

A note on AI

These questions check your own understanding of the assigned reading and lecture. Do **not** use AI tools to generate your post. If a concept is not clear after the reading and the video, say so in your closing note and ask about it.