Liquidity management Bauman Company’s total current assets, net working capital, and inventory for each of the past four years follow:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| item | 2005 | 2006 | 2007 | 2008 |
| Total current assets | $16,950 | $17,450 | $18,230 | $20,165 |
| Net working capital | 7,950 | 8,760 | 9,765 | 12,035 |
| Inventory | 7,000 | 8,150 | 9,600 | 8,130 |

a. Calculate the firm’s current and quick ratios for each year. Compare the resulting time series of each measure of liquidity.
b. Comment on the firm’s liquidity over the 2005–2008 period.
c. If you were told that Bauman Company’s average age of inventory for each year in the 2005–2008 period and the industry averages were as follows, would this support or conflict with your evaluation in part b?explain.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Average age of inventory (in days) | 2005 | 2006 | 2007 | 2008 |
| Bauman Company | 52.1 | 53.7 | 57.9 | 61.4 |
| Industry average | 34.4 | 32.6 | 33.8 | 33.2 |