Nordstrom Inc. operates department stores in numerous states. Selected financial statement data for the year ending January 29, 2012, are as follows.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **NORDSTROM, INC.** | | | | | |
|  | **Balance Sheet (partial)** | | | | | |
|  | **(in millions)** | **End-of-Year** | |  | **Beginning-of-Year** | |
|  | Cash and cash equivalents | $ 482 |  |  | $ 369 |  |
|  | Receivables (net) | 679 |  |  | 684 |  |
|  | Merchandise inventory | 1,050 |  |  | 935 |  |
|  | Prepaid expenses | 66 |  |  | 60 |  |
|  | Other current assets | 613 |  |  | 586 |  |
|  | Total current assets | $2,890 |  |  | $2,634 |  |
|  | Total current liabilities | $1,879 |  |  | $1,449 |  |

For the year, net sales were $8,178, and cost of goods sold was $4,612 (in millions

Compute the four liquidity ratios at the end of the year.  ***(Round ratios to 2 decimal place, e.g. 10.57:1 and turnovers to 1 decimal place, e.g. 10.5.)***

|  |  |
| --- | --- |
| Current ratio | :1 |
| Acid-test ratio | :1 |
| Receivables turnover | times |
| Inventory turnover | times |

Using the data in the chapter, compare Nordstrom's liquidity with **(1)** that of **J.C. Penney** Company, and **(2)** the industry averages for department stores. ***(Round ratios to 2 decimal place, e.g. 10.57:1 and turnovers to 1 decimal place, e.g. 10.5.)***

|  |  |  |  |
| --- | --- | --- | --- |
| **Ratio** | **Nordstrom** | **J. C. Penney** | **Industry** |
| Current | :1 | 2.02:1 | 1.06:1 |
| Acid-test | :1 | 0.87:1 | 0.29:1 |
| Receivables turnover | :1 | 57.0:1 | 28.2:1 |
| Inventory turnover | :1 | 3.5:1 | 7.0:1 |

Nordstrom is J.C. Penney for the current and acid-test ratios and the receivables turnover. Nordstrom is than J.C. Penney for inventory turnover.

Nordstrom is than the industry average for the current and acid test ratio, but the industry average for receivables turnover and the inventory turnover ratios.