Discussion: Current Liabilities

Scenario

Let’s take a look at both current assets and current liabilities for three competitors in the retail sales marketplace:

	Macy’s, Inc.	Kohl’s, Inc.	Nordstrom, Inc.
in millions	**2/1/20**	**2/2/20**	**2/2/20**
Current assets			
Cash and cash equivalents	$ 685	$ 723	$ 853
Receivables	409		179
Merchandise Inventories	5,188	3,537	1,920
Prepaid expenses and other current assets	528	389	278
	$ 6,810	$ 4,649	$ 3,230
Current liabilities			
Short-term debt	$ 539	$ –	$ –
Accounts payable and accrued liabilities	5,130	2,439	3,276
Income taxes	81	48	–
Current portion of long-term debt	–	282	244
	$5,750	$2,769	$3,520
Working capital	$ 1,060	$ 1,880	$ (290)

By now you should be recognizing these major categories of current liabilities and what they mean, as well as their relationship to the current assets. Just as current assets are expected to become cash in the near future, current liabilities are expected to consume cash in the near future. Based on this, both Macy's and Kohl's seemed to be in fairly good shape at the end of January of 2020. Nordstrom though shows more current debt than current assets.

Discussion Questions

- What else do you notice about the three companies?
- What do they have in common? Where are they drastically different?
- What more would you like to know about these companies?

Access the financial statements from the following links and discuss any details you find interesting that are not apparent in the above summary:

- Macy's, Inc. for the fiscal year ended February 2, 2020
- Kohl's, Inc. for the fiscal year ended February 1, 2020
- Nordstrom, Inc. for the fiscal year ended February 1, 2020