

MOUNTAIN CORPORATION

During 2022 *Mountain Corporation* made sales of 4,800 (assume initially all on account) and collected cash of 3,900 from customers. Mountain had a cash balance of 1,500 at the beginning of the year 2022. Interest revenue of 800 accrued during the year, but 200 are still not received yet. Operating expenses totaled 1,100, all paid in cash. Salary expenses totaled 1,200, with a related payment of 1,100. The prepaid advertising account had a beginning balance of 3,800. During the year, the company prepaid additional 500 to the advertising company. The prepaid advertising account had an ending balance of 2,600. All prices are in millions Euros.

- a. How much was Mountain's net income for 2022?
- b. How much was Mountain's cash balance at the end of 2022?

Solution:

a.

Millions Euros

Revenue	
Sales revenue.....	4,800
Other revenue.....	800
Expenses	
Operating Expenses.....	(1,100)
Salary Expenses.....	(1,200)
Advertising Expenses.....	(1,700)
Net income	<u>1,600</u>

b.

Beginning cash.....	1,500
Collections (3,900+600).....	4,500
Payments for: Operating expenses.....	(1,100)
Salary expenses.....	(1,100)
Advertising expenses.....	(500)
Ending cash.....	<u>3,300</u>