Solution 1.13

RKI Instruments borrowed $4,800,000 from a private equity firm for expansion of its facility for manufacturing carbon monoxide monitors. The company repaid the loan after 1 year with a single payment of $5,184,000. What was the interest rate on the loan?

Solution:

i = [(5,184,000 – 4,800,000)/4,800,000]*100% = 8% per year