**Solution 1.31**

During a recession, the price of goods and services goes down because of low demand. A company that makes Ethernet adapters is planning to expand its production facility at a cost of $1,000,000 one year from now. However, a contractor who needs work has offered to do the job for $790,000 pro­vided the company will do the expansion now instead of 1 year from now. If the interest rate is 10% per year, how much of a discount is the com­pany receiving?

*Solution:*

Equivalent present amount = 1,000,000/(1 + 0.10)

= $909,091

Discount = 790,000 – 909,091

= $119,091