**Solution 1.12**

In order to build a new warehouse facility, the regional distributor for Valco Multi-position Valves borrowed $1.6 million at 10% per year interest. If the company repaid the loan in a lump sum amount after 2 years, what was (*a*) the amount of the payment, and (*b*) the amount of interest?

*Solution:*

(a) Payment = 1,600,000(1.10)(1.10) = $1,936,000

(b) Interest = total amount paid – principal

= 1,936,000- 1,600,000

= $336,000