**Problem 1.38**

Valley Rendering, Inc. is considering purchasing a new flotation system for grease recovery. The com­pany can finance a $150,000 system at 5% per year compound interest or 5.5% per year simple interest. If the total amount owed is due in a single payment at the end of 3 years, (*a*) which interest rate should the company select, and (*b*) how much is the differ­ence in interest between the two schemes?