

**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?