

ner to consider some of the more essential features of each method as follows:

1. The instalment method.
2. The annuity method.
3. The sinking fund method.

1. The Instalment Method.

According to the instalment method the loan is repaid to the lender by equal annual instalments of principal. Interest is at the same time paid on the balance of the loan unpaid. The amount of the annual payments gradually decreases, being somewhat large during the earlier periods and comparatively small during the later periods of the loan, the reason being that the interest charges decrease in proportion as the principal is reduced. This period is merely an arithmetical calculation, involving only a question of simple interest on the amount of the loan from time to time remaining unpaid.

Under this method a loan of \$10,000 repayable in ten years, bearing interest at 6 per cent., would be repayable in the years indicated as follows:

Year	Principal	Interest	Total
1	\$1,000.00	\$600.00	\$1,600.00
5	1,000.00	360.00	1,360.00
10	1,000.00	60.00	1,060.00

The lender's objection to this method is that he is compelled to accept annually a portion of the principal, and that he is therefore obliged to repeatedly reinvest comparatively small amounts.

The ratepayer's objection is that when expensive works are undertaken, involving a large loan, the burden of taxation during the earlier periods of the loan is so heavy as to make the undertaking almost prohibitive, while if the burden were equally distributed during the entire period of the loan it would make the undertaking feasible. This is especially applicable in the case of newly organized districts where the ratepayers are usually comparatively few in number and at least able to pay during the earlier period of the loan. This objection cannot apply with equal force to