

the principal is payable in one sum at the end of the term. In order that the municipality may be in a position to pay the principal at maturity, a certain amount, accurately determined beforehand, is annually laid aside by the municipality, which, with its interest accumulations from year to year, reckoned usually at 3%, is sufficient to meet the amount of the loan. These annual amounts so laid aside, and their interest accumulations, constitute the Sinking Fund, hence the name by which the method of repayment is known. The moneys to pay the interest on the debt and to provide the Sinking Fund are, of course, obtained by levying a special tax, in accordance with the Municipal Act.

(b) *Annuity Instalment Method.* By this method the loan created is gradually paid off each year instead of at the end of the period. No Sinking Fund is required to be established, but the annual levy for principal and interest is immediately applied in payment of principal and interest, and, of course, on that part of the debt so liquidated interest ceases to be paid. The annual levy, which exactly covers both principal and interest, is the same throughout the history of the loan. It is, of course, mathematically determined beforehand. Bonds are issued maturing in one, two, three, etc., years, according to the length of the period for which the loan is made, instead of all being issued payable at the end of the term, as under the Sinking Fund plan.

(c) *Serial Instalment Method.* This method is very similar to the Annuity Instalment Method. It has, however, the advantage of liquidating the debt from year to year in *round* amounts instead of in odd amounts; (see illustration on pages 6 and 7), while it has the slight disadvantage of calling for a levy slightly differing in amount each year. This plan, of course, admits of the loan being redeemed in larger or smaller annual amounts, but the repayments on account of principal can be made to so closely follow those of the Annuity Instalment Method that the annual levy varies very slightly from year to year. The first two are authorized by the Ontario Municipal Act; the last, viz., Serial Instalment, is not, but its popularity among investors and financial houses is such that it is fully expected that the legislature will at its next session adopt the suggestion made last year,—that the Act be so amended that municipalities may use it as an alternative plan.

#### METHODS COMPARED.

From the foregoing it will be gathered that both instalment methods of repayment in effect contain within themselves a sinking fund which bears the same rate of interest as the loan which it is