

1 **Q. On pg. 17, line 27 Mr. Pous states that it is appropriate to use a compounded**
2 **monthly interest rate instead of a simple interest rate. Please provide justification for**
3 **this statement.**

4
5 A. The recording of depreciation expense is made on a monthly basis. Consistency must exist
6 between the recording of depreciation expense and the utilization of the sinking fund
7 method. Therefore, a monthly compounded interest analysis is required.