

1 **Volume 3, Section 1 – McShane, Cost of Capital**

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3 **Q. (Appendix E, page 9) There appears to be an inconsistency between the sentence**  
4 **immediately above Figure E-1 and the graphical representation within Figure E-1.**  
5 **Please provide a correction or an explanation.**

6

7 A. The two sentences above Figure E-1 should read “As indicated in Figure E-1 below,  
8 market/replacement cost ratios, as derived from the flow of funds accounts, have been  
9 systematically **lower** than the market to original cost ratios. For the U.S., the  
10 market/replacement cost ratio for corporations has averaged approximately 60% **lower**  
11 **than** the market/book ratio.”