

**Accounting 402**  
**Capitalization of Interest Cost**

On January 3, 2004, Jones Corporation began construction of a building. The building was finished and ready for use on September 1, 2004. Expenditures on the project were as follows:

January 3, 2004	\$ 400,000
June 1, 2004	300,000

The company borrowed \$350,000 on a construction loan at 12% interest on January 3, 2004. This loan was outstanding throughout the construction period. The company had two other loans outstanding during the entire construction period: one for \$100,000 bearing a 15% interest rate and another for \$300,000 bearing a 10% interest rate.

A. What is the average accumulated expenditure that Jones made for this asset in 2004?

B. How much interest should be capitalized for this building?