

Details relating to construction of Apex's new store:

Apex issued a \$10 million unsecured loan with a coupon (nominal) interest rate of 6% on 1 April 2009. The loan is redeemable at a premium which means the loan has an effective finance cost of 7.5% per annum. The loan was specifically issued to finance the building of the new store which meets the definition of a qualifying asset in IAS 23. Construction of the store commenced on 1 May 2009 and it was completed and ready for use on 28 February 2010, but did not open for trading until 1 April 2010. During the year trading at Apex's other stores was below expectations so Apex suspended the construction of the new store for a two-month period during July and August 2009. The proceeds of the loan were temporarily invested for the month of April 2009 and earned interest of \$40,000.

Required:

Calculate the net borrowing cost that should be capitalised as part of the cost of the new store and the finance cost that should be reported in the income statement for the year ended 31 March 2010. (5 marks)