Exercise 10-22

Average accumulated expenditures:

\[
\frac{6,000,000}{2} = $3,000,000
\]

Interest capitalized:

\[
\begin{align*}
3,000,000 & \times 10\% = 150,000 \\
1,500,000 & \times 7\%* = 105,000
\end{align*}
\]

\[
$255,000 \text{ = interest capitalized}
\]

* Weighted-average rate of all other debt:

\[
\begin{align*}
2,000,000 & \times 9\% = 180,000 \\
4,000,000 & \times 6\% = 240,000
\end{align*}
\]

\[
\frac{420,000}{6,000,000} = 7\%
\]

Exercise 10-27

Requirement 1

According to U.S. GAAP, the following costs would be expensed as R&D:

<table>
<thead>
<tr>
<th>Cost Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research for new formulas</td>
<td>$2,425,000</td>
</tr>
<tr>
<td>Development of a new formula</td>
<td>$1,600,000</td>
</tr>
<tr>
<td>Total</td>
<td>$4,025,000</td>
</tr>
</tbody>
</table>

The legal and filing fees are capitalized as an intangible asset.

Requirement 2

According to IFRS, only the $2,425,000 in research costs would be expensed as R&D. Both the development costs incurred after feasibility is established and the legal and filing fees are capitalized as intangible assets.