Short-term and long term financing

Biochemical corp required $500,000 in financing over the next three years. The firm can borrower the funds for three years at 10.60 percent interest per year. The CEO decides to do a forecast and predicts that if she utilizes short-term financing instead, she will pay 7.25 percent interest in the first year, 11.90 percent interest in the third year.

Determine the total interest cost under each plan.

Which plan is less costly?