****

9B19N013

The Church Key: Unlocking success

Natalie White wrote this case under the supervision of Julie Gosse solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

*This publication may not be transmitted, photocopied, digitized, or otherwise reproduced in any form or by any means without the permission of the copyright holder. Reproduction of this material is not covered under authorization by any reproduction rights organization. To order copies or request permission to reproduce materials, contact Ivey Publishing, Ivey Business School, Western University, London, Ontario, Canada, N6G 0N1; (t) 519.661.3208; (e)* [*cases@ivey.ca*](mailto:cases@ivey.ca)*; www.iveypublishing.ca. Our goal is to publish materials of the highest quality; submit any errata to publishcases@ivey.ca. i1v2e5y5pubs*

Copyright © 2019, Ivey Business School Foundation Version: 2021-11-22

On a snowy evening in January 2018, Meera Singh, account manager at the Commercial Bank of Canada (Commercial Bank), walked down Richmond Street in London, Ontario. She stopped at the warmly lit window of The Church Key Bistro-Pub (Church Key), a popular fine dining restaurant and bar. As she gazed inside the bustling restaurant, her mind returned to the decision she had to make by the next day. Vanessa Willis, the owner of Church Key, had recently requested a long-term loan of $200,000 and a working capital loan of $60,000.[[1]](#footnote-1) Willis hoped to use the funds to open a second restaurant in London.

THE CANADIAN RESTAURANT INDUSTRY

Although the Canadian restaurant industry experienced a great deal of success, several factors made it increasingly difficult to operate a restaurant. The two most prominent challenges were an increasing minimum wage and rising food prices. The minimum wage in Ontario had increased from $9.50 per hour in 2009 to $11.40 per hour in 2017.[[2]](#footnote-2) The rising price of food was caused by several factors, including increased shipping costs due to high oil prices and more droughts resulting from climate change.[[3]](#footnote-3) These trends forced some restaurant owners to raise prices in order to keep profit margins consistent.

THE CHURCH KEY BISTRO-PUB

Willis opened Church Key on May 1, 2009. She classified the restaurant as a gastropub. Originating in London, England in the 1990s, a gastropub combined gourmet dishes with the casual dining experience of a pub.[[4]](#footnote-4) Church Key served both traditional British pub fare and exotic culinary adventures. The traditional pub fare included comfort food dishes that were sure to please anyone, but each of them had been given an exciting twist. For example, “The Church Key Burger” included Stilton cheese and tomato jam, and “The Ploughman’s Plate,” which featured a selection of meats and cheeses and was a staple dish at British pubs, included pickled quail eggs and duck breast bacon.[[5]](#footnote-5) For the more adventurous customers, the menu offered dishes such as a duck confit salad and lamb curry. The restaurant had also become famous for its Sunday Brunch, a creative alternative to the standard waffles and sausages brunch. Brunch always began with a large basket filled with an ever-changing line-up of freshly-baked gourmet pastries. The entrée menu also changed weekly, and patrons could always expect the unexpected, such as a scrambled egg and lamb dish or a smoked salmon rosti. From its inception, Church Key was committed to using seasonal and locally-sourced ingredients (organic when possible), and cured all its own meat, including corned beef and a duck andouille sausage.[[6]](#footnote-6)

Church Key’s name was an allusion to both its location beside St. Paul’s Cathedral on Richmond Street and the old-fashioned name for a traditional bottle opener. The restaurant truly evoked the feeling of a British pub. From the long bar of dark wood to the exposed brick walls, the restaurant had a comforting elegance that invited customers to sit and visit. The restaurant seated 60 people. From April to September, the restaurant opened its patio, which seated 42 people.[[7]](#footnote-7)

Vanessa and Peter Willis

Opening a restaurant was the culmination of a long-time dream for Willis, who had worked in the restaurant industry for most of her life. “The day I quit my office job and started working full time in the restaurant business was the day I became happy,” Willis said. Starting as a server, she worked her way up to management positions at some of London’s most renowned fine dining restaurants including Bertoldi’s, McGuiness Landing, and Garlic’s. However, it was not until she worked in hospitality at London’s Hilton Hotels & Resorts (Hilton), an experience that she called “soul-crushing,” that she finally decided to realize her dream of opening her own restaurant. After months spent researching, she quit her job at the Hilton, started Church Key, and never looked back. Willis planned to stay in the restaurant industry “as long as it will have [her].”

Willis and her husband Peter each owned 50 per cent of the company. Peter had more than four decades of experience working at bars and was one of the city’s most well-known bartenders. Willis met Peter while he was tending the bar at The Honest Lawyer and she was a manager at a nearby restaurant. She would sometimes have a drink at his bar on her way home from work. Eventually, he asked her out, and they married two years later. When Willis first began considering opening her own restaurant, both she and Peter immediately knew it would be a pub. “We’re pub people,” Willis said.

Peter played an integral role in the company’s operations. In addition to serving as Church Key’s chief handyman, Peter’s role was particularly concerned with the management of bar sales. Over the previous few years, he had expanded Church Key’s competitive craft beer selection, helping the restaurant achieve a more prominent reputation as a craft beer destination.

Initial Success

Church Key quickly became one of London’s most popular fine dining restaurants, reaching over $1 million in revenues within its first year of operation. In an industry where 80 per cent of restaurants failed within their first five years, Church Key continued to enjoy steady sales growth after nine years, as reflected by the Church Key’s financial statements (see Exhibits 1, 2, 3, 4, and 5).[[8]](#footnote-8) Willis attributed her success to her deep passion for the industry, extensive restaurant experience, conscientious management of cash, effective labour relations, and drive for perfection.

Customers and Advertising

Church Key attracted a wide range of medium-income to high-income customers of all ages, from young couples to large groups of seniors eating out with friends. The restaurant benefitted enormously from its prime location on Richmond Street, in the heart of downtown London. During the daytime on weekdays, Church Key was frequented by working professionals, including lawyers and business people whose firms were located nearby the restaurant. During the evenings throughout the winter months, Church Key profited from the foot traffic generated by The Grand Theatre, a professional theatre located across the street from the restaurant.

Church Key had developed a loyal customer base. Willis allowed certain regular customers and neighbouring businesses (who relied on Church Key for catering small events) to purchase on credit, which they could repay at any time. Church Key also received countless requests for gift certificate donations to local fundraising events. Willis carefully selected which requests to fulfil, agreeing to requests only from loyal customers and prominent organizations.

Although Willis experimented with numerous different types of promotion over the years, she believed that the best form of marketing was creating a good product. In turn, Church Key benefitted greatly from word-of-mouth advertising and highly positive online reviews. For example, users of TripAdvisor, a popular restaurant review website, gave Church Key a rating of four and a half out of five stars.[[9]](#footnote-9) To supplement word-of-mouth and online reviews, Willis allocated a small portion of her budget for print advertisements in several food and beverage magazines.

Competition

The majority of London’s fine dining restaurants were located in the downtown core, with the most popular restaurants being concentrated on Richmond Street and King Street. Church Key was located across the road from two of these popular restaurants, Garlic’s and The Tasting Room. An outsider to the industry might have said that such restaurants were Church Key’s main competitors, but Willis did not consider them competition at all. Willis believed that when her “complementary competitors” were more successful, Church Key was more successful. In fact, Willis believed that London did not have enough fine dining restaurants. Willis also noted that London restaurant-goers were often drawn to new restaurants when they first opened.

Operations

Willis employed 22 staff at Church Key, and enjoyed low turnover rates.[[10]](#footnote-10) Willis believed the restaurant’s strong familial culture, which differentiated it from other restaurants in London, greatly contributed to its success. This culture was demonstrated through a staff tradition of enjoying after-hour drinks together at the bar, chatting with each other and with lingering patrons alike. Willis was also comfortable with allocating a small portion of her budget toward an annual staff party.

As Willis expected, inventory management proved to be one of the greatest challenges her team faced. The restaurant’s head chef, pastry chef, and two back-of-the-house supervisors were primarily responsible for inventory management.[[11]](#footnote-11) After years of searching for the optimal solution to consistent inventory levels, Willis recognized the opportunity to establish an incentive program for back-of-the-house operations. Along with her father, she developed a sophisticated bonus system that tied these employees’ bonuses to the cost of goods sold (COGS) rate and several other metrics. She implemented this system at the beginning of 2015.

Similar to many of its competitors, Church Key experienced considerable seasonality. Sales increased rapidly at the beginning of May, when the weather became warmer. Sales stayed at this level until the end of July, when they returned to normal levels. During this busy season, Church Key needed $10,000 in additional cash to cover increased inventory purchases.

Financing History

Initially, Willis financed Church Key with an $85,000 long-term loan from the Commercial Bank. In addition, she, her husband, and her father lent the business a total of $30,000. Willis paid back the loans in their entirety within three years. She had not taken on any form of debt since then, nor did she invest any personal capital into the business.

A NEW CHALLENGE

With her deep passion for the industry and love of a good challenge, Willis believed that opening a second fine dining restaurant was the natural next step. The restaurant would serve a different type of cuisine than Church Key and operate under a different name. Willis had a clear vision of the new restaurant’s concept and menu. The concept particularly excited Willis because it was foreign to the average London restaurant-goer, as few such restaurants existed in the city. Nonetheless, she strongly believed that Londoners were ready for this culinary adventure. Like Church Key, the new restaurant would also target medium-income to high-income customers. Willis had found a space for lease in an ideal location on King Street (a street in downtown London).[[12]](#footnote-12) Willis would begin renting the space on March 1, 2018.[[13]](#footnote-13)

Willis was adamant that she would not make any personal financial sacrifices for the second restaurant, as she did when she opened Church Key. She wanted to fund the new restaurant solely through debt financing. Willis was requesting a $200,000 long-term loan and a $60,000 short-term working capital loan from the Commercial Bank. The long-term loan would be repaid over a five-year repayment schedule, at an annual interest rate of 4 per cent.[[14]](#footnote-14) Willis planned to use these funds for leasehold improvements and to purchase new furniture and fixtures for the restaurant.[[15]](#footnote-15) She predicted that the new restaurant would be operational by the beginning of May 2018.

Willis projected sales for the new restaurant to be $600,000 in a low scenario and $800,000 in a high scenario. She estimated that Church Key’s sales would continue to grow at a rate of 1 per cent in 2018.

Willis knew there would be a large learning curve associated with managing COGS and inventory for a new restaurant with a different fare. To combat this issue, she planned to immediately implement Church Key’s back-of-the-house bonus system at the new restaurant. With the bonus system in effect, Willis anticipated the COGS rate to return to the 2016 levels of 40.4 per cent of sales for both restaurants. She also predicted an average age of inventory of 12 days at both locations. In addition, Willis recognized that these factors would lead to an increased need for cash, causing her to rely more on suppliers for credit throughout the coming year. She believed that her suppliers would readily accept payment within an average of seven days.[[16]](#footnote-16)

Willis currently served as general manager for Church Key. She planned to take an active role in managing the new restaurant but recognized that she would need more help. She planned to ask one of her existing supervisors at Church Key to take on extra shifts in the position of general manager at the new restaurant. She knew her supervisors would be keen to accept a promotion of this nature. Willis predicted the salaries and wages expense across both locations to increase to 34 per cent of sales. In addition, the new supervisor would receive a $35,000 annual salary.

Starting three months before the restaurant opened, Willis intended to spend $1,000 per month on print advertising in food and beverage magazines, which had been the most effective advertising venue for Church Key. Willis would maintain advertising expenses for the existing restaurant at the same dollar amount as 2017. Willis also planned to launch a website for the new restaurant. She projected spending a total of $5,000 on the launch.[[17]](#footnote-17) Willis’s insurance broker predicted an additional premium of $500 per month, coming into effect at the beginning of the new lease. The existing restaurant’s insurance fee would remain the same as 2017. Willis projected legal and accounting expenses to increase to $9,000 for 2018. She thought it would be prudent to decrease her spending on the annual staff party to $500 per restaurant, at least for the new restaurant’s first year of operations. Willis and her husband also believed that it would be best to reinvest as much profit in the company as possible for the new restaurant’s first year of operations. They agreed that taking $80,000 in dividends would be enough.

DECISION

As Singh continued her walk home down a snowy Richmond Street, she again considered all the information she had reviewed earlier that day. Willis’s enthusiasm for the new restaurant was infectious, and her expertise in restaurant management was indisputable. Nonetheless, Singh still had hesitations, especially concerning Willis’s lack of experience with debt financing.

Singh knew what she had to do. One hour later, curled up on her living room couch, Singh pulled out Church Key’s file and began her final review.

**Exhibit 1: STATEMENT OF EARNINGS (in CA$)**

**(For the years ending December 31)**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **2017** | | **2016** | | **2015** | |
| **Revenue** |  |  |  |  |  |  |
| Food | $1,064,649 | 67.7% | $1,047,610 | 67.2% | $1,005,987 | 66.3% |
| Alcoholic beverages | 480,834 | 30.6% | 482,349 | 30.9% | 479,987 | 31.7% |
| Non-alcoholic beverages | 27,915 | 1.8% | 29,153 | 1.9% | 30,567 | 2.0% |
| **Total sales** | $1,573,398 | 100.0% | $1,559,112 | 100.0% | $1,516,541 | 100.0% |
|  |  |  |  |  |  |  |
| Less: Cost of goods sold | 620,117 | 39.4% | 629,589 | 40.4% | 600,103 | 39.6% |
| **Gross profit** | $953,281 | 60.6% | $929,523 | 59.6% | $916,438 | 60.4% |
|  |  |  |  |  |  |  |
| **Operating expenses** |  |  |  |  |  |  |
| Salaries and wages | $522,766 | 33.2% | $529,581 | 34.0% | $497,884 | 32.8% |
| Supplies | 103,545 | 6.6% | 102,518 | 6.6% | 99,690 | 6.6% |
| Advertising | 12,653 | 0.8% | 12,325 | 0.8% | 11,458 | 0.8% |
| Maintenance | 16,342 | 1.0% | 16,241 | 1.0% | 14,765 | 1.0% |
| Utilities | 27,866 | 1.8% | 28,450 | 1.8% | 26,540 | 1.8% |
| Credit card fees | 29,763 | 1.9% | 28,018 | 1.8% | 26,497 | 1.7% |
| Insurance | 8,491 | 0.5% | 8,477 | 0.5% | 7,993 | 0.5% |
| Legal and accounting | 6,287 | 0.4% | 5,190 | 0.3% | 6,349 | 0.4% |
| Staff party | 5,104 | 0.3% | 6,009 | 0.4% | 3,576 | 0.2% |
| Rent | 58,275 | 3.7% | 58,275 | 3.7% | 58,275 | 3.8% |
| Depreciation | 11,489 | 0.7% | 10,578 | 0.7% | 10,578 | 0.7% |
| **Total operating expenses** | $802,581 | 51.0% | $805,661 | 51.7% | $763,606 | 50.4% |
|  |  |  |  |  |  |  |
| **Operating income** | $150,700 | 9.6% | $123,862 | 7.9% | $152,832 | 10.1% |
|  |  |  |  |  |  |  |
| Less: Income tax | 30,140 | 1.9% | 24,772 | 1.6% | 30,566 | 2.0% |
|  |  |  |  |  |  |  |
| **Net income after tax** | $120,560 | 7.7% | $99,089 | 6.4% | $122,266 | 8.1% |

Source: Company files.

**Exhibit 2: STATEMENT OF RETAINED EARNINGS (in CA$)**

**(For the years ending December 31)**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | **2017** |  | **2016** |  | **2015** |
| Beginning retained earnings |  | $132,033 |  | $127,944 |  | $105,678 |
| Add: Net income |  | 120,560 |  | 99,089 |  | 122,266 |
|  |  | 252,593 |  | 227,033 |  | 227,944 |
| Less: Dividends |  | 120,000 |  | 95,000 |  | 100,000 |
| Ending retained earnings |  | $132,593 |  | $132,033 |  | $127,944 |

Source: Company files.

**Exhibit 3: BALANCE SHEET (in CA$)**

**(As at December 31)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | **2017** | **2016** | **2015** |
| **ASSETS** | |  |  |  |
| **Current assets** | |  |  |  |
|  | Cash | $23,314 | $26,611 | $11,856 |
|  | Accounts receivable | 1,177 | 2,245 | 965 |
|  | Inventory | 16,545 | 18,572 | 20,987 |
|  | Prepayments | 2,775 | 2,845 | 2,653 |
| **Total current assets** | | 43,811 | 50,273 | 36,461 |
|  |  |  |  |  |
| **Fixed assets** | |  |  |  |
|  | Leasehold improvements | $162,632 | $144,415 | $144,415 |
|  | Furniture and equipment | 58,503 | 58,503 | 58,503 |
|  | Computer equipment and software | 8,635 | 8,635 | 8,635 |
| Total fixed assets | | 229,770 | 211,553 | 211,553 |
|  | Less: Accumulated depreciation | 103,246 | 91,757 | 81,180 |
| **Net fixed assets** | | 126,524 | 119,796 | 130,373 |
|  |  |  |  |  |
| **TOTAL ASSETS** | | **$170,335** | **$170,069** | **$166,834** |
|  |  |  |  |  |
| **LIABILITIES** | |  |  |  |
| **Current liabilities** | |  |  |  |
|  | Accounts payable | $8,522 | $11,736 | $9,522 |
|  | Wages payable | 13,986 | 12,896 | 13,462 |
|  | Bonuses payable | 6,965 | 7,465 | 6,356 |
|  | Gift certificates payable | 8,169 | 5,839 | 9,451 |
| **Total current liabilities** | | 37,642 | 37,936 | 38,791 |
|  |  |  |  |  |
| **TOTAL LIABILITIES** | | **$37,642** | **$37,936** | **$38,791** |
|  |  |  |  |  |
| **EQUITY** | |  |  |  |
|  | Common stock | $100 | $100 | $100 |
|  | Retained earnings | 132,593 | 132,033 | 127,944 |
|  |  |  |  |  |
| **TOTAL EQUITY** | | **$132,693** | **$132,133** | **$128,044** |
|  |  |  |  |  |
| **TOTAL LIABILITIES AND EQUITY** | | **$170,335** | **$170,069** | **$166,834** |

Note: Fixed assets’ useful life is 20 years.

Source: Company files.

**Exhibit 4: FINANCIAL RATIOS (in CA$)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  | **2017** | **2016** | **2015** |
| **Profitability** | | |  |  |  |
|  | Return on average equity | | 91% | 76% | 95% |
|  |  |  |  |  |  |
| **Liquidity** | | |  |  |  |
|  | Current ratio | | 1.2:1 | 1.3:1 | 0.9:1 |
|  | Acid test | | 0.7:1 | 0.8:1 | 0.3:1 |
|  |  |  |  |  |  |
| **Efficiency** | | |  |  |  |
|  | Age of receivables | | 0.3 days | 0.5 days | 0.2 days |
|  | Age of inventory | | 10.0 days | 11.0 days | 13.0 days |
|  | Age of payables | | 5.0 days | 7.0 days | 6.0 days |
|  |  |  |  |  |  |
| **Stability** | | |  |  |  |
|  | Net worth to total assets | | 78% | 78% | 77% |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | |  |  |
| **Growth** | | | **2016–17** | | | **2015–16** | |
|  | Sales | |  |  | |  |  |
|  |  | Food | 4% | |  | 4% |  |
|  |  | Alcoholic beverages | 0% | |  | 0% |  |
|  |  | Non-alcoholic beverages | -5% | |  | -5 % |  |
|  | Total sales | | 1% | |  | 3% |  |
|  |  |  |  | |  |  |  |
|  | Net income | | 22% | |  | -19% |  |
|  | Total assets | | 0% | |  | 2% |  |
|  | Equity | | 0% | |  | 3% |  |

Source: Company files.

**Exhibit 5: STATEMENT OF CASH FLOWS (in CA$)**

**(For the years ending December 31)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  | **2017** |  | **2016** |
| **Operations** | |  |  |  |  |
| Net income | |  | $120,560 |  | $99,089 |
|  |  |  |  |  |  |
| Adjustments to cash basis: | |  |  |  |  |
|  | Depreciation |  | 11,489 |  | 10,578 |
|  | Accounts receivable |  | 1,068 |  | (1,280) |
|  | Inventory |  | 2,027 |  | 2,415 |
|  | Prepayments |  | 70 |  | (192) |
|  | Accounts payable |  | (3,214) |  | 2,214 |
|  | Wages payable |  | 1,090 |  | (566) |
|  | Bonuses payable |  | (500) |  | 1,109 |
|  | Gift certificates payable |  | 2,330 |  | (3,612) |
|  |  |  | 14,360 |  | 10,666 |
|  |  |  |  |  |  |
| Net cash flow from operations | |  | $134,920 |  | $109,755 |
|  |  |  |  |  |  |
| **Financing** | |  |  |  |  |
|  | Dividend payments |  | (120,000) |  | (95,000) |
|  |  |  |  |  |  |
| Net cash flow from financing | |  | (120,000) |  | (95,000) |
|  |  |  |  |  |  |
| **Investing** | |  |  |  |  |
|  | Leasehold improvements |  | (18,217) |  | – |
|  | Furniture and equipment |  | – |  | – |
|  | Computer equipment and software |  | – |  | – |
|  |  |  |  |  |  |
| Net cash flow from investing | |  | (18,217) |  | – |
|  |  |  |  |  |  |
| Net cash flow | |  | (3,297) |  | 14,755 |
| Plus: Beginning cash | |  | 26,611 |  | 11,856 |
| Ending cash | |  | $23,314 |  | $26,611 |

Source: Company files.

1. All currency amounts are in CA$. [↑](#footnote-ref-1)
2. “Canada Minimum Hourly Wages in Ontario,” Trading Economics, 2018, accessed June 10, 2018, https://tradingeconomics.com/

   canada/minimum-wages. [↑](#footnote-ref-2)
3. Kimberly Amadeo, “Why Food Prices Are Rising, Trends, and 2019 Forecast,” The Balance, April 25, 2018, accessed June 10, 2018, www.thebalance.com/why-are-food-prices-rising-causes-of-food-price-inflation-3306099. [↑](#footnote-ref-3)
4. Marye Audet, “Gastropubs Bring Upscale Food to Casual Dining,” CulinaryOne, May 6, 2013, accessed on June 10, 2018, www.culinaryone.com/gastro-pubs-bring-upscale-food-to-casual-dining/. [↑](#footnote-ref-4)
5. One restaurant critic once declared Church Key’s Ploughman’s Plate to be the best item on any menu in the city. [↑](#footnote-ref-5)
6. Sue Moore, “The Church Key Bistro-Pub: Open Up to a Heavenly Experience,” *EatDrink*, December/January 2010: Issue 20, 9-11, http://thechurchkey.ca/documents/ChurchKey-Media\_EatDrink-DecemberJanuary2010.pdf. [↑](#footnote-ref-6)
7. In total, the space was 1,575 square feet. [↑](#footnote-ref-7)
8. Jarrett Bellini, “The No. 1 Thing to Consider Before Opening a Restaurant,” CNBC Make It, March 15, 2016, accessed on June 10, 2018, www.cnbc.com/2016/01/20/heres-the-real-reason-why-most-restaurants-fail.html. [↑](#footnote-ref-8)
9. “The Church Key Bistro-Pub,” TripAdvisor: Canada, accessed June 10, 2018, www.tripadvisor.com/Restaurant\_Review-g154995-d1537828-Reviews-The\_Church\_Key\_Bistro\_Pub-London\_Ontario.html. [↑](#footnote-ref-9)
10. Turnover rate referred to the percentage of employees who left an organization within a period of time. [↑](#footnote-ref-10)
11. In the restaurant industry, staff were classified as either front-of-the-house or back-of-the-house. Front-of-the-house staff included those who interacted with customers, such as servers and hosts, whereas back-of-the-house staff included those who prepared the food. [↑](#footnote-ref-11)
12. Numerous attractions were located on King Street, such as Budweiser Gardens, a sports and entertainment centre, and the Convent Garden Market. King Street was also a hub for fine dining restaurants. [↑](#footnote-ref-12)
13. The size of the space was 2,000 square feet. It was priced at the same rental rate as Church Key. [↑](#footnote-ref-13)
14. Interest to be calculated on the outstanding balance at the beginning of the fiscal year. [↑](#footnote-ref-14)
15. New fixed assets would have the same useful life as the existing fixed assets. [↑](#footnote-ref-15)
16. Willis’s suppliers offered payment terms of net 30 days. [↑](#footnote-ref-16)
17. Businesses typically expensed website start-up fees as advertising and promotional expenses*.* [↑](#footnote-ref-17)