

How will the opening of a new Cheesecake Factory in New York City impact Cheesecake Factory's financial statements?

Recently, The Cheesecake Factory Incorporated (NASDAQ: [CAKE](#)), opened its first New York City restaurant. The new Cheesecake Factory is in Queens and is 8,850 square feet and seats 240 guests.

Rather than franchising its business model, Cheesecake Factory owns and operates all of its U.S. restaurants, which at last count numbered more than 200. It typically has a long-term lease for each restaurant location and depreciates the cost of building the restaurant over the life of the lease.

Planning for this NYC Cheesecake Factory started a few years ago when the former facility in this location, Children's Place, closed. Cheesecake Factory officials had been searching for a suitable location for some time and this Queens Center Mall location seemed to be a good fit. Prior to building, Cheesecake Factory had to have architects draw up building plans to be approved by the city. In addition, Cheesecake Factory had to obtain the City's permission to operate a sidewalk cafe. Its plans called for outdoor dining during good weather; large windows can be closed in times of inclement weather. The last roadblock, that permit for a sidewalk cafe, was granted in March 2016. Construction started soon thereafter and the restaurant officially opened seven months later in October 2016.

In Cheesecake Factory's Form 10-K for 2015, it indicates that its average cost to build and equip a new restaurant is approximately \$800 per interior square foot. Furnishings and equipment would typically include booths, chairs, grills, ovens, refrigerators, plates, glasses, and the like. Leasehold improvements could include walls, flooring, ceilings, windows, doors, lighting, heating and cooling systems, and similar items. Combined, the estimated cost of this new location is \$7 million.

Questions

1. Assume that the Cheesecake Factory paid cash for all costs of building and equipping its new restaurant in NYC. How would its assets, liabilities, and equity each be impacted by the construction and opening of this restaurant in 2016? (Ignore the impact of depreciation when answering this question.)
2. On which 2016 financial statement would you find the costs of building and equipping this new restaurant?
3. Which financial statement(s) would be impacted by depreciation on this new restaurant and its furniture and fixtures? How would Cheesecake Factory's assets, liabilities, and equity be impacted by the depreciation? How would its income be impacted?