

There are two errors in Exercise Twelve-2 which are highlighted below. In the problem, the salary should be 10% (not 20%) of Net Income. In the solution, Ms. Nerr's Reduction in her Capital Account should be \$16,500 (not \$5,200).

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Exercise Twelve-2

Subject: Partnership Distributions

The Banner Partnership has two partners, Mr. Ban and Ms. Nerr. Data for the current calendar year is as follows:

	Mr. Ban	Ms. Nerr
Original Investment	\$250,000	\$500,000
Capital Balance, January 1	350,000	500,000
Drawings During The Year	22,000	63,000

The partnership agreement calls for each partner to receive a salary equal to **10** percent of Net Income before consideration of salaries to partners or interest on capital contributions. ...

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Exercise Eleven - 2 Solution

... The amount to be distributed to the two partners can be calculated as follows:

	Mr. Ban	Ms. Nerr
Salaries	\$ 7,800	\$ 7,800
Return On Capital	35,000	50,000
Allocation Of Loss [(1/2)(\$22,600)]	(11,300)	(11,300)
Available Distribution	\$31,500	\$46,500
Drawings During The Year	(22,000)	(63,000)
Addition (Reduction) In Capital Account	\$ 9,500	(\$16,500)