D has directly held Business Assets of $1,000, directly held Nonbusiness Assets of $2,000, and a 40% partnership interest in P. P has $450 of Business Assets and $1,350 of cash, which P holds as a Nonbusiness Asset, and owes a liability of $800.

D then borrows $500 from P and invests the proceeds in a Nonbusiness Asset. P's directly-held Nonbusiness Assets increase by $500. The D obligation is a Nonbusiness Asset in P's hands.

D’s directly-held Nonbusiness Assets increase by $500, to $2,500. There is no corresponding decrease in the amount of Business Assets or Nonbusiness Assets allocated to D from P, because a Nonbusiness Asset of P ($500 cash) has been replaced by another $500 Nonbusiness Asset, the obligation from D. Effectively, because D has a 40% interest in P, D has borrowed $200 (40% of $500) from itself. Accordingly, D’s Nonbusiness Assets must be decreased by $200. D’s Business Assets will continue to be $1,100 ($1,000 directly held plus $100 allocated from P), and D’s Nonbusiness Assets will be $2,600 ($2,500 directly held, plus $300 allocated from P less the $200 decrease to prevent double inclusion of the obligation and the obligation proceeds).