

MUM 2700 - Music Business 1
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Controlled Compositions/Free Goods Take-Home Assignment

Variables:

- Please name your publishing company.
- Record Company is WM Records.
- Record Company Publisher is GDM Publishing, Inc.
- Number of units printed 10,000.
- Artist royalty per CD is \$1.00 U.S.
- All songs are five minutes or less in length.
- You will most likely need a calculator.

Scenario #1

You sign a recording contract with WM records stipulating the following conditions:

- You own a publishing company.
- The recording contract specifies a controlled composition reduction of 25% for all controlled compositions on commercial CDs and paid downloads. They also require a 50% reduction for CDs sold via WM Record Club sales.
- The maximum mechanical royalty rate to be paid to the publisher(s) for the entire CD by WM Records is 10 times the minimum legal royalty rate. (.85 cents per record)
- WM Records does not pay publishing on free goods.
- The recording contract specifies that publishing money will initially be paid on 65% of the total CDs manufactured and shipped minus free goods. The remainder is to be paid after 6 months or prior to the next executed contract - which ever is later. This clause takes “returns” into account.
- Moneys owed by artist for publishing will come from artist royalties.

Total songs on CD = 13

Number of controlled compositions = 8

Number of non-controlled compositions = 5

CDs manufactured and shipped:

6,863 sold through commercial outlets.

705 sold through record clubs.

1,865 sold by legitimate download vendors.

567 issued as free goods CDs.

Questions: (Please show your work neatly)

1. Based on the information above, what is the total amount of mechanical royalties the record company owes?
2. How much money did your publishing company receive?
3. How much money did the record company publisher receive?
4. Do you owe money? If so, how much.
5. What will be the value of your initial publishing check?
6. What balance will be owed to you?

Scenario #2

You sign a recording contract with Tightwad records stipulating the following conditions:

- You own a publishing company.
- The recording contract specifies a controlled and non-controlled composition mechanical royalty reduction of 25% for all controlled compositions on commercial CDs and downloads. A 50% mechanical royalty reduction is required for CDs sold via Tightwad Record Club sales.
- The maximum mechanical royalty rate to be paid to the publisher(s) for the entire CD by Tightwad Records is 10 times the minimum legal royalty rate.
- Tightwad Records does not pay publishing on free goods.
- The recording contract specifies that publishing money will initially be paid on 65% of the total CDs manufactured and shipped minus free goods. The remainder is to be paid after 6 months or prior to the next executed contract - which ever is later. This clause takes “returns” into account.
- Moneys owed by artist for publishing will come from artist royalties.

Total songs on CD = 14

Number of controlled compositions = 6

Number of non-controlled compositions = 8

CDs shipped:

3,247 sold through commercial outlets.

2,431 sold through record clubs.

3,426 sold through download sales.

896 issued free goods CDs.

Questions: (Please show your work neatly)

1. What is the total amount of mechanical royalty fees the record company owes?
2. How much money did your publishing company receive?
3. How much money did the other publisher receive?
4. Do you owe money? If so, how much.
5. What will be the value of your initial publishing check?
6. What balance will be owed to you?

PLEASE READ THE PROBLEM AND THINK IT OUT. THIS ASSIGNMENT WILL COUNT LIKE A TEST.