



Depreciation is also known as  
Current Replacement cost

Replacement cost of fixed factor  
consumption of fixed factor

Factor cost

Market price

Cost of production

(Sales price)

eg Producing a pen for ₹ 8  
₹ 8 is the cost of  
production of pen.

But when it is sold  
in the market its  
price gets ₹ 10  
So, ₹ 10 is the market  
price of the pen.

$$10 - 8 = 2$$

Difference is (2) is it profit ?? (No)  
It is tax (NIT)

We don't link the profit with NY.

$$8 + 2 = 10$$

↓  
National  
Income

NIT = Net indirect tax

NIT = indirect tax - Subsidies (Relaxation)