Define the term Minimum or dead rent.Draw the analytical table of Royality with all columns.

As mentioned above, the lessor enters into a contact or an agreement with the lessee for the payment of royalty. This royalty is determined on the basis of number of goods produced or quantum of goods sold.

Now, there can be cases when the number of goods produced or sold are nill or relatively low. In such a case, the lessor would receive no or little royalty directly impacting lessor's royalty income.

In other words, when there is no or little production or sale, the lessor would be at a loss since no or less amount of royalty would be received from the lessee. This is despite lessee using the asset.

To get rid of such a situation, the lessor requires a minimum amount of payment to be paid by the lessee irrespective of the number of goods produced or sold by the lessee.

That is, lessee is required to pay minimum amount to the lessor. This is despite the fact that the actual royalty amount, which is calculated based on the items produced or sold, is less than the minimum rent to be paid.

Such a guaranteed minimum amount so received by the lessor is called the minimum rent. Minimum rent is fixed at the time when the lessor enters into an agreement with the lessee.

It is a term included in the contract in the interest of the landlord as it assures minimum rent even in cases of lower sales or output. Therefore, the lessee pays minimum rent or the actual royalty amount, whichever is higher.

Since, the amount of minimum rent to be paid is fixed, it is also known as Fixed Rent or Dead Rent. This can however vary depending upon the terms of the agreement.

Royalti:
A periodic payment, which may be based on a sale or output is called Royalty. Royalty is payable by the lessee of a mine to the lessor, by publisher of the book to the author of the book, by the manufacturer to the patentee, etc.