

Chapter 6 : Q.48 - Page 213 (Volume I)

Query : Incremental Variable Cost for 300 patients not considered in calculation.

Solution :

Variable cost Rs. 500 is the cost per patient day (i.e. per patient per day.)

The re-admitted patients are 300. But, do you for how many days they will stay?

There is a difference between NO. OF PATIENTS and NO. OF PATIENT DAYS.

No. of Patient Days = No. of Patients x No. of Days

It means, we cannot calculate additional number of patient days.

Hence, they have provided us additional cost of Rs. 25,00,000 to adjust these re-admitted patients. This itself is additional cost or incremental cost of re-admitted patients. No other cost is required.

I hope the matter is clear now.