Раджан Ишa 259

Personal Budgeting and Oppurtunity Cost

Individuals face limited income and resources, meaning they cannot satisfy all their wants. For eg: with a 100$ monthly allowance for gas and DVDs, a person must choose how to allocate their spending between these two items.

The budget line represents all possible combinations of goods that can be purchased with a given income at current prices. Points on the line show full use of income, points below the line leave some money unspent, and points above the line are unattainable. Changes in income or prices shift the budget line. The oppurtunity cost measures what is sacrificed to obtain another goods.