Summary

1) The budget constraint:
An individual has a fixed monthly income of $100 to spend on two goods gasoline and DVDS
The budget line is a graphical representation showing all the possible combinations of these two that can be purchased of the entire income is spent
points on the line (like C_1 to C_5) use all $100
Points below the line are attainable but mean some income is left over.
Points above the line are unattainable as they exceed the available income

2) Effects of change in income and price.
An increase in income or a decrease in prices of both goods shifts the budget line outward, expanding the set of affordable combination.
A decrease in income or an increase in prices shifts the budget ~~line~~ line inward

reducing purchasing power.

3) opportunity cost:
-> Moving along the budget line involves a trade off
-> The oppurtunity cost is what you give up to get more of one good
In this example:
-> The oppurtunity cost of 1 DVD is 5 gallons of gas
-> The oppurtunity cost of 1 gallon of gas is 1/5 of a DVD