Personal Budgeting and opportunity Cost of choices

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1) scarcity and Budgeting -

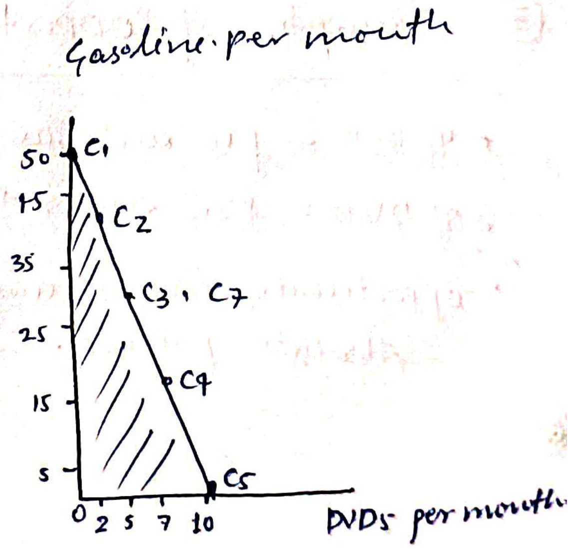
- Individuals face limited income and time → Can't satisfy all wants.
- Need to make choices about what to ~~by~~. buy.
- Student' Example - ₹ 100 monthly allowance (to be spent only on gas and DVDs).

2) Prices & Income Example -

- Gasoline = ₹2 per gallon
- DVD = ₹10 each
- monthly income available = ₹100

3) Budget line -

- Budget line = shows all possible combinations of two goods that can be purchased with fixed income.
- on the Graph -
  - Vertical Axis = Gasoline (gallons)
  - Horizontal Axis = DVDs (number).



Possible combinatⁿ (with ₹100):

C_1 = 50 gallons gas, 0 DVDs.
C_2 = 40 gallons gas, 2 DVDs.
C_3 = 30 gallons gas, 4 DVDs.
C_4 = 20 gallons gas, 6 DVDs
C_5 = 10 gallons gas, 8 DVDs
C_6 = 0 gallons gas, 10 DVDs.

4) Feasible Vs. Infeasible Points -

- Any point on or below budget line → Affordable with ₹100.
- Any point Above the budget line → Unattainable with Given incom

Example- : C_7 (10 DVDs + 25 gallons gas) = ₹150 → infeasible.