Answer on Question#38783 – Economics - Economics of Enterprise

Mr Mohamed's budget line relating to goods X and goods Y has intercepts of 50 units of goods X and 20 units of goods Y. Px = $12.

a. Income I = Px*Qx + Py*Qy,
In the point, where Qx = 50, Qy = 0, so I = 12*50 + Py*0 = $600. So, Mohamed`s level of income is $600.

b. In the point, where Qy = 20, Qx = 0, the price of goods Y is Py = (I - Px*Qx)/Qy = 600/20 = $30.
So the equation of the budget line is 12*Qx + 30*Qy = 600 or Qy = 20 - 0.4* Qx .

c. So, the slope of the budget line is the coefficient before Qx , so k = 0.4.