



**THE LIBYAN INTERNATIONAL MEDICAL UNIVERSETY
FACULTY OF BUSINESS ADMINASTRATION**



BUDGET LINE

Student Name : Ahmed Buazza

Student I.D. : 2119

CONTENT :

- What is budget line ?
- Example
- References



WHAT IS BUDGET LINE ?

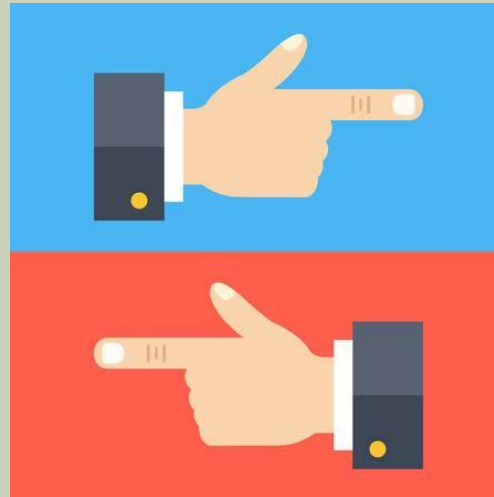
- A budget line shows the combination of two products that a consumer can afford to buy with a given income using all of their available budget
- the gradient of the budget line reflects the **relative prices** of the two products
- The gradient of a budget line reveals the **opportunity cost**

The budget line will shift when there is:

1. **A change in the price** of one or both products with nominal income (BUDGET) remaining the same.
2. **A change in the level of nominal income** with the relative price of the two products remaining the same.

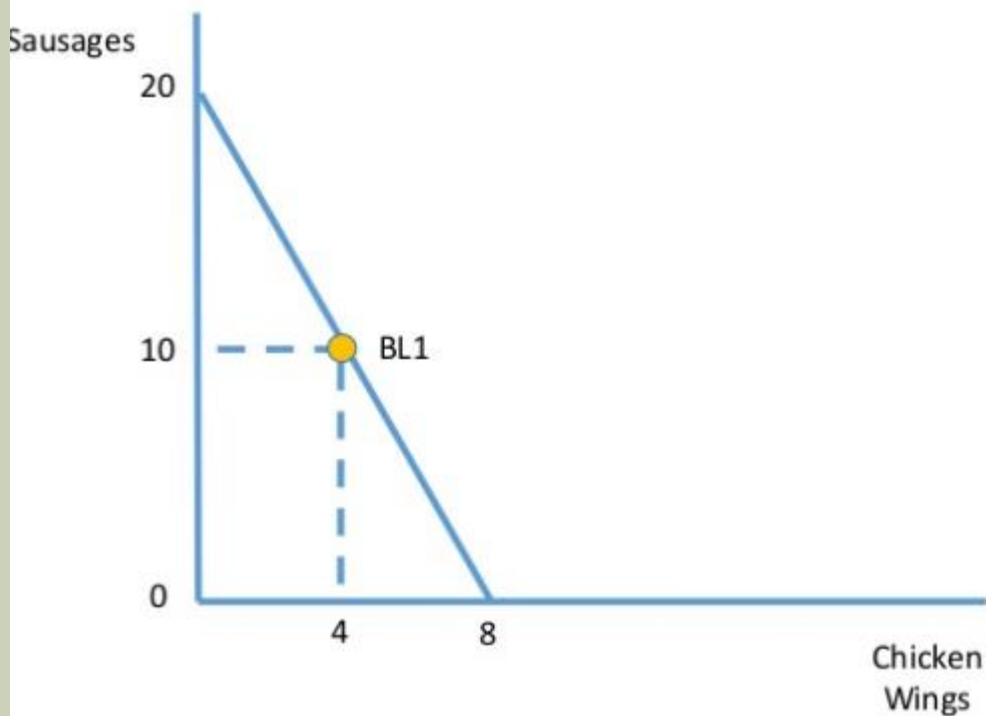
EXAMPLE :

Weekly
Income = £40



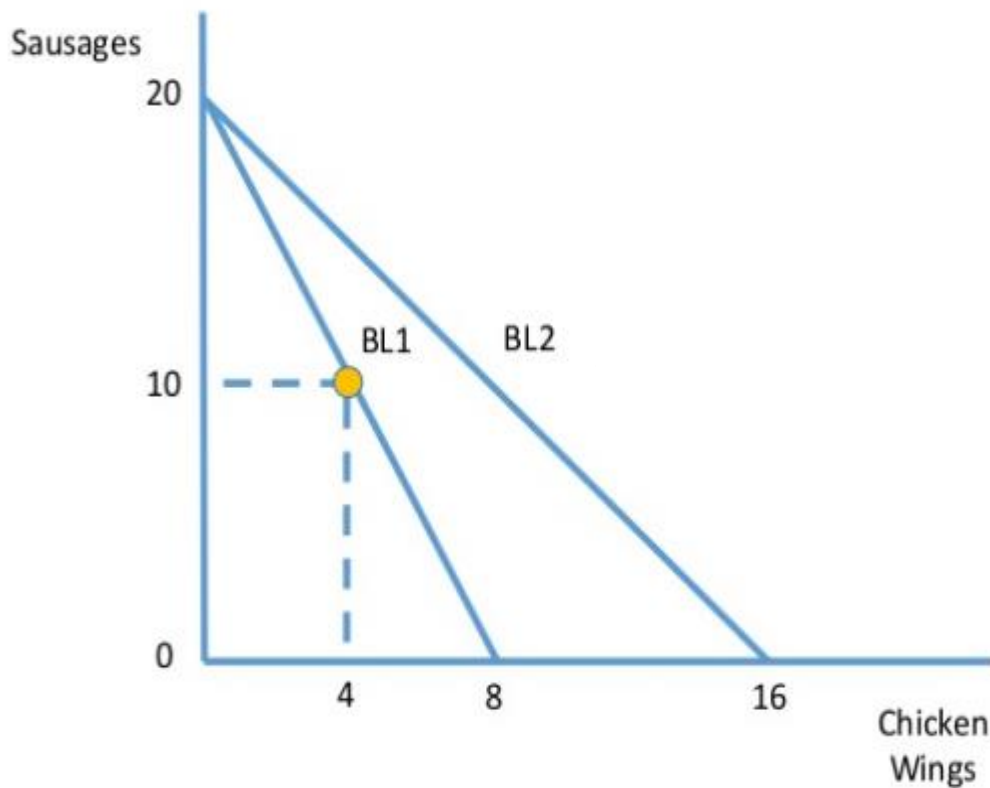


A budget line shows the combinations of two products that can be afforded at current prices and with all income spent



Initial budget price :
Weekly income = £40
Price of sausages = £2 per kg
Price of chicken = £5 per kg

The consumer could buy 10kg of sausages and 4kg of chicken wings with his/her initial budget or any combination that lies along the budget line.



A change in price :
 Weekly income = £40
 Price of sausages = £2 per kg
 Price of chicken = £2.50 per kg

A fall in the price of chicken to £2.50 per kg will lead to a pivotal outwards shift of the budget line from BL1 to BL2

REFERENCES

- United kingdom., John Wenston, . 3rd April.,
<https://businessjargons.com/budget-line.html>
- New york, . Richard furnishes, . 25th .,
- <https://www.tutor2u.net/economics/reference/the-budget-line>

**THANK YOU
FOR
LISTENING !!!**