ECO 101: Introduction to Microeconomics
Problem Set #1
Lectures 1 & 2
Due Date: 22 September, 5:00pm
Total Points: 30

NOTE: All problem sets must be hand-written (not typed) to receive full credit. Typed answers will receive a zero. Round all answers that are decimals to two decimal places.

Problem 1: Budget Constraints [10 Points]

Suppose that an individual purchases two goods, Shirts (S) and Mangos (M). This individual has a total income of $100 this month to spend on these goods. The price of a mango is $4.00 each. The price of a shirt is $10.00 each.

1. Draw the budget constraint for this problem, with shirts on the x-axis and mangos on the y-axis. Label both the y-intercept and the x-intercept of this Budget Constraint. [2 points]

2. What is the slope of this Budget Constraint? [1 point]