[3]. Given the following Intertemporal Budget Constraint:

$$C_1 + \frac{C_2}{1+r} = Y_1 + \frac{Y_2}{1+r}$$

and the following values:
Y_1 = \$10,000
Y_2 = \$35,000
$(1+r) = 1.7$

[a] Find the maximum first period income end point $(1+r)Y_1 + Y_2$?

[b] Find the maximum second period income end point $Y_1 + Y_2/(1+r)$?

[c] Assume (as in **Figure C** above) that Indifference Curve I at Point A is the Optimal point where no Saving or Borrowing is occurring and where the Utility associated with I = 62 util units, find C_1 and C_2 ?

[d] Now assume (as in **Figure C** above) that the Optimal point is on a lower Indifference Curve where I = 53 util units and where some Borrowing would need to occur, find M_1 and M_2 ?

[4]. Given the following Intertemporal Budget Constraint:

$$C_1 + \frac{C_2}{1+r} = Y_1 + \frac{Y_2}{1+r}$$

and the following values:
Y_1 = \$3200
Y_2 = \$34,000
$(1+r) = 1.85$

[a] Find the maximum first period income end point $(1+r)Y_1 + Y_2$?

[b] Find the maximum second period income end point $Y_1 + Y_2/(1+r)$?

[c] Assume (as in **Figure C** above) that Indifference Curve I at Point A is the Optimal point where no Saving or Borrowing is occurring and where the Utility associated with I = 70 util units, find C_1 and C_2 ?

[d] Now assume (as in **Figure C** above) that the Optimal point is on a lower Indifference Curve where I = 68 util units and where some Borrowing would need to occur, find M_1 and M_2 ?