Unit 01

Exercise 01: Production and Advantage

Objective: Determine which country holds the absolute and comparative advantage in producing coffee and tea using a unique student.

State your user ID: _____

Part 1: Absolute Advantage Analysis

Calculate the number of units of coffee and tea that each country can produce.

Country A - Production Possibilities:

- Coffee: XX units (calculated as the absolute value of the difference between the first two digits and the last two digits of the ID)

- Tea: XX units (calculated as the last two digits of the ID)

Country	Coffee	Tea
Country **A**		

Country B - Production Possibilities:

- Coffee: XX units (the reverse of the number of coffee production units for Country A; for example, if Country A produces 10 units of coffee, Country B will produce 01 units)

- Tea: XX units (the reverse of the number of tea production units for Country A; for example, if Country A produces 02 units of tea, Country B will produce 20 units)

Country	Coffee	Tea
Country **B**		

Answer the following questions:

- Which country has the absolute advantage in coffee production? _____

- Which country has the absolute advantage in tea production? _____

Part 2: Comparative Advantage Analysis

Calculate the opportunity cost of producing one unit of coffee and one unit of tea for each country.

Country	Opportunity Cost of Producing 1 Unit of Coffee	Opportunity Cost of Producing 1 Unit of Tea
Country **A**		
Country **B**		

Answer the following questions:

- Which country has a comparative advantage in coffee production? _____

- Which country has a comparative advantage in tea production? _____