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? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_