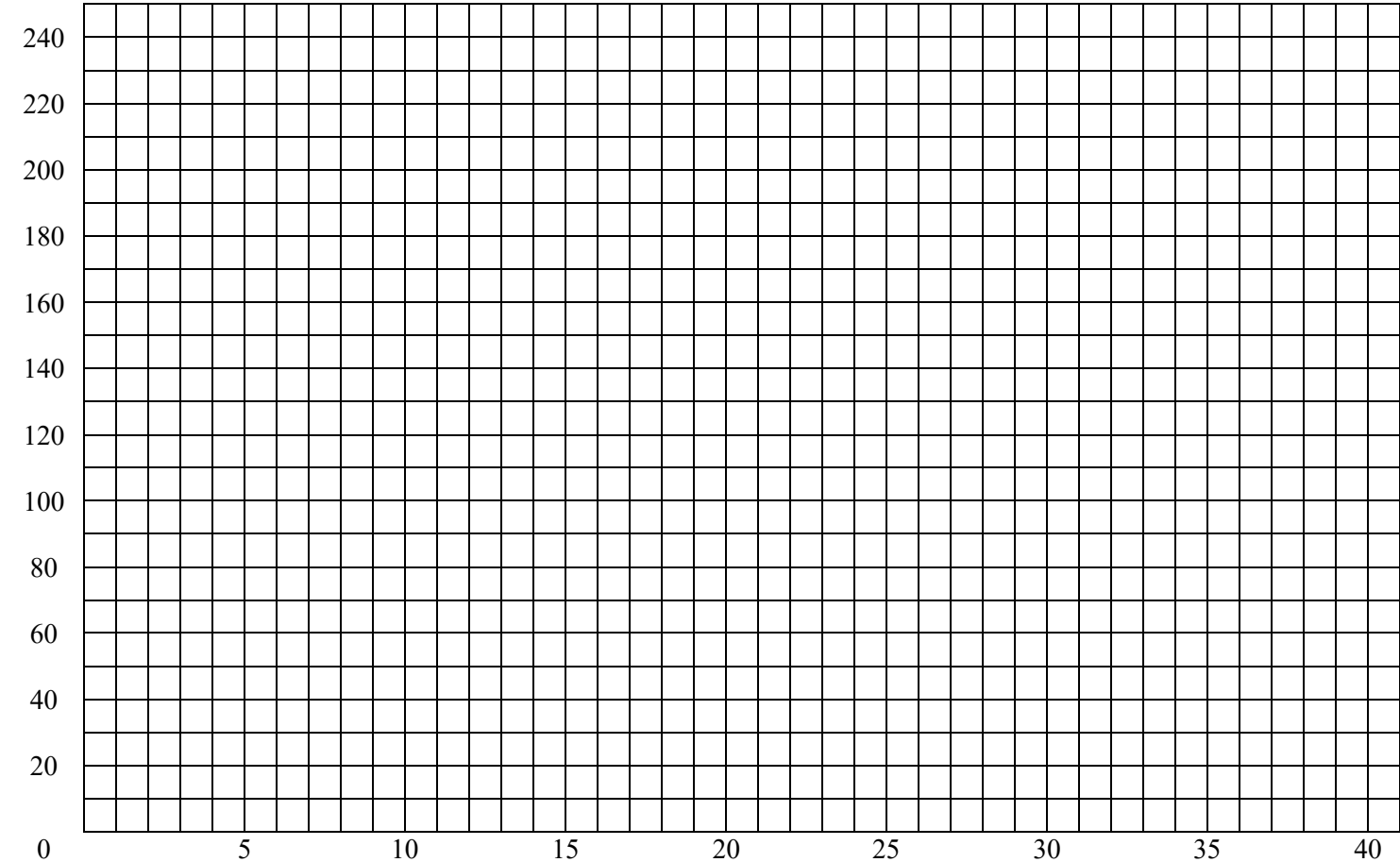


ASSIGNMENT 1: PRODUCTION POSSIBILITY FRONTIER (PPF), OPPORTUNITY COST, SPECIALIZATION AND EXCHANGE.

1. Two countries (namely A and B) produce car and rice, both countries have 720 labors. Below table shows the required labors to produce one unit of rice or car.
- a. Draw the production possibility frontiers. Show your choice of production as each country equally allocates the resources.
 - b. What is the opportunity cost to produce each item?
 - c. Find the absolute advantage and comparative advantage of each country (if any)
 - d. If countries specialize and exchange? Show the result on the diagrams

	Cost		Total		Opportunity cost		Balance resources		Specialization		Exchange	
	Car	Rice	Car	Rice	Car	Rice	Car	Rice	Car	Rice	Car	Rice
A	18	6										
B	20	4										

	Car	Rice	Exchange Price
Absolute Advantage			
Comparative Advantage			



2. Two countries (namely A and B) produce car and rice, both countries have 720 labors. Below table shows the required labors to produce one unit of rice or car.

- Draw the production possibility frontiers for both countries. Show your choice of production as each country equally allocates the resources.
- What is the opportunity cost to produce each item?
- Find the absolute advantage and comparative advantage of each country (if any)
- If countries specialize and exchange? Show the result on the diagrams

	Cost		Total		Opportunity cost		Balance resources		Specialization		Exchange	
	Car	Rice	Car	Rice	Car	Rice	Car	Rice	Car	Rice	Car	Rice
A	20	5										
B	18	3										

	Car	Rice	Exchange Price
Absolute Advantage			
Comparative Advantage			

