**Syllabus Reference : 3.1 Absolute Advantage**

***Syllabus Weight: 4***

UK trades 90 cars for 300 WHeat

300

90

**A**

**B**

**D**

What are the costs for each country to produce wheat + cars?

Calculate opportunity cost values.

**C**

What exchange rate would work so both nations benefit?

**e.r: 1c=3w**



***Webnote 314***

***Syllabus item(s):***

***134 (HL only)***

**Answers:**

**UK**

1. 1c = 2 w
2. 1c = 5w

**POR**

1. 1w = 0.5 c
2. 1w = 0.2 c

**Task 1:**

Cauculate opportunity cost of:

1. 1 car (uk)
2. 1 car (por)
3. 1 wheat (uk)
4. 1wheat (por)