AP Macro/AP Micro
Unit 1 Practice Sheet

Part 1- Production Possibilities- *Assume that the table below shows the economy of Cliffordland.*

	A	B	C	D	E
Capital Goods	0	2	4	6	8
Consumer Goods	30	28	25	15	0

1. Calculate the opportunity cost of switching from combination A to producing B.
2. Calculate the opportunity cost of switching from combination B to producing D.
3. Calculate the opportunity cost of switching from combination B to producing A.
4. Calculate the opportunity cost of switching from combination D to producing B.

5. Is this an example of increasing opportunity cost or constant opportunity cost? Explain.

6. Assume the economy of Cliffordland intentionally decides to produce combination D rather than combination B. What is the long-term trade-off of this decision? Explain.

Part 2- FRQ Practice- Complete the following question from the 2019 AP exam (Set 2, Question 3).

3. Sweden and Norway use equal quantities of resources to produce food and capital goods. The table below shows the maximum possible production of food OR capital goods for each country.

Country	Food	Capital Goods
Sweden	50	100
Norway	30	120

(a) Draw a correctly labeled graph of the production possibilities curve for Sweden. Place food on the horizontal axis and capital goods on the vertical axis. Plot the relevant numerical values on the graph.

(b) On your graph in part (a), indicate the following.

   (i) A point that represents an efficient level of production, labeled E

   (ii) A point that represents an inefficient level of production, labeled I

   (iii) A point that represents an unattainable level of production, labeled U

(c) Assume Sweden moves from producing 20 units of food and 60 units of capital goods to producing 30 units of food and 40 units of capital goods. What will happen to economic growth in Sweden in the future?

(d) Which country has the comparative advantage in the production of capital goods? Explain.

(e) Based on the table above, identify a specific number of units of capital goods that could be traded for 10 units of food and be mutually beneficial.

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Part 3- Comparative Advantage- *Answer the following questions to verify that you fully understand opportunity cost, absolute advantage, comparative advantage, and terms of trade.*

	Units produced per hour	
	Beef	**Peppers**
China	20	5
France	8	4

	Hours needed to produce one unit	
	Planes	**Cars**
Mexico	12	6
Bolivia	25	5

1. Is this an output problem or an input problem?

2. What is China's opportunity cost of producing 1 pepper?

3. What is France's opportunity cost of producing 1 beef?

4. What is China's opportunity cost of producing 1 beef?

5. What is France's opportunity cost of producing 1 pepper?

6. Who has the absolute advantage in producing beef?

7. Who has the absolute advantage in producing peppers?

8. Who has the comparative advantage in producing beef?

9. Who has the comparative advantage in producing peppers?

10. What would acceptable terms of trade be between China and France?

11. Is this an output problem or an input problem?

12. What is Mexico's opportunity cost of producing 1 plane?

13. What is Bolivia's opportunity cost of producing 1 car?

14. What is Mexico's opportunity cost of producing 1 car?

15. What is Bolivia's opportunity cost of producing 1 plane?

16. Who has the absolute advantage in producing cars?

17. Who has the absolute advantage in producing planes?

18. Who has the comparative advantage in producing cars?

19. Who has the comparative advantage in producing planes?

20. What would acceptable terms of trade be between Mexico and Bolivia?