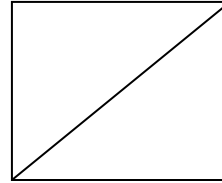




**HWA CHONG INSTITUTION (High School Section)**  
**INTEGRATED HUMANITIES**  
**SEC. 3 PPE**  
**TOPIC : INTRODUCTION TO PPE**  
**PRE-READING QUIZ (1)**



Name : \_\_\_\_\_

Class : 3/ \_\_\_\_\_

Date : \_\_\_\_\_

**Assumptions:**

1. There are 2 countries in the scenario, USA and China.
2. Both countries produce Jeans and Toys
3. Both have equal amount of resources (10 units) in producing their respective goods (5 for jeans and 5 for toys).
4. There is perfect factor mobility, i.e. resources in the production of jeans can be diverted to the production of toys directly.

*Given the above assumptions, we can conclude that 1 units of resource is able to produce 40 units of jeans and 400 units of toys in USA. In China, 1 unit of resource is able to produce 20 units of jeans and 300 units of toys.*

**Table 1: Production Possibilities before specialization**

	<b>Jeans (units)</b>	<b>Toys (Units)</b>
USA	200	2000
China	100	1500
Total Output	300	3500

**Can trade exist between USA and China under the Law of Absolute Advantage? \_\_\_ (1m)**

**Calculate the respective opportunity cost of production:**

**Table 3: Opportunity Cost**

	<b>Jeans (units)</b>	<b>Toys (Units)</b>
USA		
China		

**Table 4: Under conditions of complete specialization**

	<b>Jeans (units)</b>	<b>Toys (Units)</b>
USA		
China		
Total Output		

**Table 5: Under conditions of partial specialization**

	<b>Jeans (units)</b>	<b>Toys (Units)</b>
USA		
China		
Total Output		