Please take note that there is a word limit of 500 words on each sub-question

**Question 1. (a)** Consider salt, a consumer product commonly used by households in cooking and food or drinks preparation. Evaluate the determinants of price elasticity of demand and discuss whether salt is likely to be elastic or inelastic in demand. Justify your answers.

**(b)** There are many medical reports that link excessive consumption of salt to diseases such as hypertension. The government is concerned over the health of the public and plans to discourage consumption of salt using suitable policies.

Propose two (2) policies targeting at decreasing the demand for salt and two (2) policies targeting at decreasing the supply of salt. Explain your policies and support your answers with two (2) salt market diagrams, one (1) diagram for demand policies and one diagram for supply policies.

You may assume the supply of salt to be elastic but the shape of the demand curve for salt has to be consistent with your answer in Part (a).

**c)** Theoretically, if the government wishes to reduce the consumption of salt, it makes no difference whether the government imposes a price ceiling or a price floor on salt. Do you agree? Appraise with a suitable salt market diagram assuming both price ceiling and price floor resulting in the same quantity of salt traded in the market. You may assume the supply of salt to be elastic but the shape of the demand curve for salt has to be consistent with your answer in Part (a).