

### Bank Balance Sheet 3

Assets		Liabilities	
Required Reserves	\$40,000	Demand Deposits	\$400,000
Excess Reserves	\$10,000	Owner's Equity	\$0
Loans	\$250,000		
Bonds	\$100,000		
<b>Total</b>	<b>\$400,000</b>	<b>Total</b>	<b>\$400,000</b>

- A. What is the reserve ratio?
- B. How will the bank's reserves change if the Fed buys \$50,000 of its bonds?
- C. How will the transaction affect M1?
- D. What will be the new value of excess reserves?

### Bank Balance Sheet 4

Assets		Liabilities	
Required Reserves	\$15,000	Demand Deposits	\$300,000
Excess Reserves	\$35,000	Owner's Equity	\$0
Loans	\$200,000		
Bonds	\$50,000		
<b>Total</b>	<b>\$300,000</b>	<b>Total</b>	<b>\$300,000</b>

- A. What is the reserve ratio?
- B. How will the bank's reserves change if the Fed buys \$30,000 of its bonds?
- C. How will the transaction affect M1?
- D. What will be the new value of excess reserves?