

Bank Balance Sheet 5

Assets		Liabilities	
Required Reserves	\$100,000	Demand Deposits	\$500,000
Excess Reserves	\$50,000	Owner's Equity	\$0
Loans	\$300,000		
Bonds	\$50,000		
Total	\$500,000	Total	\$500,000

- A. What is the reserve ratio?
- B. How will this bank's reserves change if \$50,000 is withdrawn from checking accounts?
- C. How will the withdrawal affect M1?
- D. What will be the new value of excess reserves?

Bank Balance Sheet 6

Assets		Liabilities	
Required Reserves	\$70,000	Demand Deposits	\$700,000
Excess Reserves	\$200,000	Owner's Equity	\$0
Loans	\$380,000		
Bonds	\$50,000		
Total	\$700,000	Total	\$700,000

- A. What is the reserve ratio?
- B. How will this bank's reserves change if \$10,000 is withdrawn from checking accounts?
- C. How will the withdrawal affect M1?
- D. What will be the new value of excess reserves?