

Quiz #11 & 12
Due: October 30, 2017

Show All Your Work

- 1 a. The Choosy Bank has \$175,000 in checkable deposits, \$440,000 in time deposits, \$80,000 in bank capital and \$290,000 in securities. What is the maximum amount that the bank can loan out if they keep \$42,500 in excess reserves at a 12% required reserve ratio? Show your work in a balance sheet.

 - b. What is the money multiplier?

 - c. Suppose the bank in part a) wishes to make a new loan of \$200,000 but does not wish to borrow from the Fed. What other three ways can this bank make the loan? Show the new balance sheet for one of those ways.
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2. Now show how this increase in loans will work through the banking system to increase the money supply through the multiple deposit creation process (the next three banks must be shown). Assume that the public and banks do not hold any more currency, excess reserves or the loans are held in time deposits.

 3. How much of an impact will there be on reserves in the banking system?

 4. How much of an impact will there be on the money supply?