**Commercial Banking Balance Sheet**

***Directions***: Answer the following questions on a separate sheet of paper.

1. Answer the next question based on the following consolidated balance sheet for the commercial banking system. Assume the required reserve ratio is 30 percent. All figures are in millions of dollars.

|  |  |
| --- | --- |
| ASSETS | LIABILITIES |
| Reserves $200 | Deposits $600 |
| Securities $500 | Capital Stock $700 |
| Loans $100 |  |
| Property $500 |  |

1. What is the amount of excess reserves in this commercial banking system?
2. What is the maximum amount that the money supply can be expanded?
3. If the reserve ratio fell to 25 percent, what is now the maximum amount that the money supply can be expanded?
4. Answer the following questions using the below simplified balance sheet for Ballin’ like a BOSS National bank.

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| --- | --- |
| **ASSETS** | **LIABILITIES** |
| Required Reserves $2,000 | Demand Deposits $20,000 |
| Excess Reserves $10,000 | Capital Stock $10,000 |
| Loans $5,000 |  |
| Securities $3,000 |  |
| Buildings $10,000 |  |

1. What is the required reserve ratio?
2. If Ballin’ like a BOSS National Bank loans out its remaining excess reserves; what is the maximum amount the money supply can grow?
3. If the bank sells bonds in the amount of $2,000 to the FED; what would be the change in value for the following?
4. Required Reserves
5. Excess Reserves
6. Securities
7. What is the maximum amount the money supply could change based on this bond purchase by the FED?
8. Answer the following questions using the below T-account for Macro-Skrilla Bank.

|  |  |
| --- | --- |
| **ASSETS** | **LIABILITIES** |
| Required Reserves $10,000 | Checkable Deposits $50,000 |
| Excess Reserves $20,000 | Owner’s Equity $40,000 |
| Loans $15,000 |  |
| Securities $5,000 |  |
| Property $40,000 |  |

1. What is the required reserve ratio?
2. Based on the required reserve ratio, if the bank loans out all its current excess reserves, what is the maximum amount the money supply can grow?
3. Customer Danny Ca$h deposits $10,000 of currency into the bank.
4. What is the initial change in the M1 money supply?
5. What is the new value of excess reserves?
6. How much can the money supply change based off of Danny Ca$h’s deposit?
7. Use original balance sheet numbers for the following scenario: The FED lowers the discount rate to 0% enticing Macro-Skrilla Bank to borrow $50,000 from the FED.
8. What is the new dollar value of excess reserves?
9. What is the maximum the money supply can change based off of the new excess reserves amount?
10. DO any changes need to be made to the liabilities side of the balance sheet?