

1. Suppose you deposit Rs. 10 000 in your deposit account in a commercial bank. If the bank wishes to hold 20% of all deposits on reserve, how much new deposits can it create as a direct result of your deposit? (A/L 2017)
- Rs. 8 000
 - Rs. 10 000
 - Rs. 40 000
 - Rs. 50 000
 - Rs. 52 000

2. The balance sheet for a commercial bank is given below. (A/L 2017)

Liabilities	Value (Rs. Million)	Assets	Value (Rs. Million)
Deposits	180 000	Reserves	100 000
		Treasury Bonds	40 000
		Loans	40 000
Total Liabilities	180 000	Total assets	180 000

- If the statutory reserve ratio is 10%, what is the maximum amount of new loans that this bank could make in the future? (2 marks)
 - If Rs. 10 000 million of deposits are withdrawn from this bank, what is the maximum amount of new loans that this bank could make in the future? (2 Marks)
3. Commercial banks can create money by (A/L 2016)
- Converting reserves into securities.
 - Buying treasury bills from the Central Bank.
 - Sending cash in hand to the Central Bank.
 - Maintaining a 100% reserve requirement.
 - Lending excess reserves to customers.
4. Suppose an individual withdraws Rs. 10 000 from his deposit account in a commercial bank. If all else is constant, and the bank has a statutory reserve requirement of 20% , this transaction will directly reduce (A/L 2016)
- The money supply by Rs. 10 000.
 - Bank deposits by Rs. 10 000.
 - The money supply by Rs. 50 000.
 - Bank deposits by Rs. 50 000.
 - Bank deposits by Rs. 8 000.

5. Assume that for a hypothetical economy , money supply (M) is Rs. 3 600 billion, total bank deposits (D) are Rs. 3 200 billion , the statutory reserve ratio is 10% and the banks do not hold excess reserves. (A/L 2016)
- What is the value of money multiplier for this economy? (02 marks)
 - What should the Central Bank do to decrease money supply by Rs. 100 million in this economy? (02 marks)
6. Suppose that in a commercial banking system. All banks maintain 20% of deposits as a cash reserve. One bank receives a new cash deposit of Rs. 200 million. If there is no subsequent change in currency in circulation , what will be the maximum amount of loans that the banking system can grant as a result of the new deposit? (A/L 2016)
- Rs . 160 million.
 - Rs. 200 million.
 - Rs. 800 million.
 - Rs. 1000 million.
 - Rs. 1200 million.
7. Assume that for a hypothetical economy, money supply (M) is Rs 1,200 billion, total bank deposits (D) are Rs. 800 billion, the required reserve – deposit ratio is 10% and that banks do not hold excess reserves. (A/L 2013)
- What is the value of the money multiplier for this economy?
 - If the central bank purchases Rs. 3 billion worth of Treasury bills from the commercial banks, what is the greatest amount by which total money supply could change?
8. A closed economy has a banking system consisting of a single bank. The bank operates with a reserve ratio of 10%. Customers deposit Rs. 10,000 in cash. Assuming no subsequent change in notes and coins in circulation what is the maximum of loans that the bank can grant? (A/L 2013)
- Rs. 1,000
 - Rs. 9000
 - Rs 10,000
 - Rs. 90,000
 - Rs. 100,000
9. Given below is a balance sheet of a commercial bank which operates under commercial banking system.

Liabilities (Rs. millions)		Assets (Rs. millions)	
Deposits	2000	Reserves	500
		Loans	1500
Total	2000	Total	2000

If SRR is 15% calculate excess reserves (2011 A/L old syllabus)

10. Assume that a commercial bank has total deposits of Rs.250 million and Rs.170 million of total reserves. The remainder of the bank assets is loans. If SRR IS 10%, then what is the amount of excess reserves currently held by the bank. (2004 AL)
11. Assume SRR is 10% and at the beginning there are no excess reserves in the banking system. If 20 million additional deposits come to the banking system, what is the amount of excess reserves that the bank can create due to new deposits?
12. Suppose one of the commercial bank in a banking system has Rs. 200 billion worth of reserves, Rs. 800 billion worth of loans and 1000 billion worth of deposits.(2012 AL)
- Show above information in a balance sheet.
 - If SRR is 12%. What is the additional amount of loan that the bank can grant?
13. What are the 3 principle conditions required for the banking system to create credit? (2011 AL)
14. Suppose one of the commercial bank in a banking system as a simplified balance sheet as shown below. (2007 AL)
- | Liabilities | Amount (rs.mn) | Assets | Amount (Rs. Mn) |
|-------------|----------------|------------|-----------------|
| Deposits | 100 000 | Reserves | 22000 |
| | | Loans | 40000 |
| | | Securities | 38000 |
| | | | |
| Total | 100 000 | Total | 100000 |
- If the reserve ratio is 20%, what is the maximum amount of new loans that this bank can made?
 - Show how the bank balance sheet will appear after the bank has lent this amount
 - How will the bank`s balance sheet appear after cheques drawn for the entire amount of new loans have been cleared against this bank?
15. Commercial banks can create credit,(2012 AL)
- add to their reserves in the central bank
 - accept deposit of cash
 - sell government bonds
 - exchange demand deposits of businesses and individuals
16. If statutory reserve requirement is 50%, what is the value of deposit multiplier?
- zero
 - 1
 - 2
 - 5
 - 10

17. The following table shows the balance sheet of a commercial bank in a banking system (2011 AL)

Liabilities	Amount (rs.mn)	Assets	Amount (rs.mn)
Deposits	2 000	Reserves	500
		Loans	1500
Total	2000	Total	2000

If the SRR is 15%, this commercial bank has excess reserves of (Rs. Million)

- 200
- 300
- 500
- 1500
- 1700

18. A closed economy has a banking system consisting of a single bank. The bank operates with a reserve ratio of 10%. Customer deposit Rs.10000 in cash. Assuming no subsequent change notes and coins in circulation. What is the maximum amount of loans that the bank can grant? (2013 AL)

- Rs.1000
- Rs.9000
- Rs.10000
- Rs.90000
- Rs.100000

19. Following data has been provided about a hypothetical economy (Rs. Million)

- currency held by general public 100
- demand deposits held by general public in commercial banks 1000
- reserves of the banking system 100
- loans granted 900

- Prepare balance sheet of the banking system
- Calculate the value of deposit multiplier
- Assume SRR increase to 20%, there will be no change in currency held by general public and banks will not keeping any excess reserves.
 - Calculate the values of new assets and liabilities of banks
 - Calculate money supply of the economy
- If SRR reduced to 5%
 - Values of new assets and liabilities of banks
 - Money supply

20. Assume in a hypothetical banking system has Rs.20 million worth of reserves and Rs. 100 million worth of deposits. SRR is 20%. When general public deposit Rs.5 million worth of currency, what is the value of excess reserves in the bank? (2012 AL old)
21. 'If general public deposits their currencies on hand in commercial banks demand deposits, money supply will contracts.' are you agreeing with this statement? explain (2012 AL old)
22. A hypothetical balance sheet of a commercial banking system is given below (2008 AL)

Liabilities	Amount (rs.mn)	Assets	Amount (rs.mn)
Deposits	1000	Reserves	200
		Loans	800
Total	1000	Total	1000

Further, the currency held by public in the economy is Rs.1200 million and there is an excess reserve of Rs. 100 million in the banking system.

- Calculate the maximum possible amount total money supply in this economy when the full credit creation is completed.
- If the legal reserve ratio increase to 25% and the currency held by the public remain unchanged, calculate the maximum possible amount of total money supply when full credit creation is completed