2.5

Answer to blank 1: $450

Answer to blank 2: $230

Answer to blank 3: $230

Explanation:

Required reserve = 0.10 \* 4,500 = $450

Excess reserve = 680 - 450 = $230

The bank can increase it's loan by the amount of excess reserve, i.e., $230

The bank **can** **lend** **reserves**.

|  |  |
| --- | --- |
| Assets | Liabilities |
| Reserves : $480 | $4,300 Deposits |
| Loans : $3,820 |  |

2.6

