EC 370 **Name:** ____________________

Xiang LI (GE)

Participation 8 (Chapter 9) **UO ID:** ____________________

INSTRUCTIONS: Answer the following questions. Write legibly, take a high quality scan of your responses, compile all pages into one pdf, and upload only one pdf document to Canvas by **11:59pm (PDT), Sunday, June 7**.

QUESTION 1: T-account example I

Jane opens a checking account with a $100 bill at the First National Bank, and the bank puts her $100 bill into vault.

Instruction: To complete this balance sheets, show the ***changes*** *of values for each item. For example, if you think the value of an item decreased by $10, write down -$10. If you think the value of an item increases by $10, write down +$10. If you think the value of an item isn't changed, leave it blank*

Assets	Liabilities
Reserves	Deposits
Securities	Borrowings
Loans	Capital

QUESTION 2: T-account example II

Jane opens a checking account at the First National Bank with a $100 check written on an account at the Second National Bank. First National Bank deposits the check in its account at the Fed, and the Fed transfers $100 of reserves from the Second National Bank to the First National Bank. Show the changes in the balance sheet.

Instruction: To complete this balance sheets, show the ***changes*** *of values for each item. For example, if you think the value of an item decreased by $10, write down -$10. If you think the value of an item increases by $10, write down +$10. If you think the value of an item isn't changed, leave it blank*

First National Bank		Second National Bank	
Assets	**Liabilities**	**Assets**	**Liabilities**
Reserves	Deposits	Reserves	Deposits
Securities	Borrowings	Securities	Borrowings
Loans	Capital	Loans	Capital

QUESTION 3: T-account example III

Suppose 10% required reserve ratio. First National Bank receives a $100 of checkable deposits. Then this bank put to productive use all excess reserves by making loans. Show the changes in the balance sheet.

Instruction: To complete this balance sheets, show the ***changes*** *of values for each item. For example, if you think the value of an item decreased by $10, write down -$10. If you think the value of an item increases by $10, write down +$10. If you think the value of an item isn't changed, leave it blank*

Assets	Liabilities
Reserves	Deposits
Securities	Borrowings
Loans	Capital

QUESTION 4: Sufficient Excess Reserves Example

The bank is required to keep 10% of deposits as reserves. Initial balance sheet is as follows. (Unit: millions)

Assets	Liabilities
Reserves: $20	Deposits: $100
Securities: $80	Borrowings: $0
Loans: $10	Capital: $10

(1) How much excess reserves does this bank hold?

(2) Suppose a deposit outflow of $10 million occurs. Update the balance sheet.

Instruction: To complete the following balance sheets, do ***NOT*** *show* ***changes*** *of values for each item. Instead, you should write* ***levels*** *of updated values for each item. For example, an item starts with value $100. If you think its value decreases by $10, write down $90* ***instead of*** *-$10; if you think its value increases by $10, write down $110,* ***instead of*** *+$10; if you think its value isn't changed, write down $100*

Assets	Liabilities
Reserves	Deposits
Securities	Borrowings
Loans	Capital

(3) After deposit outflow occurs, does this bank meet the 10% required reserve requirement? If so, how much excess reserves does this bank hold?