

Homework III
(Submission date: April 25 2024)

You are given the balance sheet of the monopoly bank, HORTUMBANK in Hortumia below.

<u>ASSETS</u>	<u>LIABILITIES</u>
Cash and Reserves.....	Deposits.....10000
Loans.....	Capital..... 5000

- a. Assuming that the bank holds no excess reserves and there is no cash drain, if the reserve requirement ratio is 25%, complete the balance sheet.
- b. Find the deposit and loan multipliers.
- c. If 1000 TL. is withdrawn from this bank, show the initial and final balance sheets of the bank.
- d. Assume that the bank is in the initial position stated in (a). If excess reserve ratio is 5% find the deposit and loan multipliers.
- e. Show the initial and final balance sheets of the bank if 1000 TL. is deposited with the bank.
- f. Further assume that public holds 1% of deposits as cash in their pockets. Find the deposit and loan multipliers.
- g. Show the initial and final balance sheets of the bank if 1000 TL. is deposited with the bank.
- h. Assume that the bank is in the initial position stated in (a). If the reserve requirement ratio is increased to 30%, show the final balance sheet of the bank.
- i. Assume that the bank is in the initial position stated in (a) and there are four other banks in the economy, but a new deposit of 1000 TL. If each new deposit that HORTUMBANK creates goes to other banks, how will the total amount of deposit the bank creates, finally change?
- j. Find the size of deposit and loan multipliers when there are five banks in the economy.