Name: _____

Assume the following bank holds no excess reserves and that the reserve requirement is 12% for transaction deposits. Compute the banks reserves, total assets, total liabilities, and bank capital. Enter these values on the balance sheet below.

Assets		Liabilities	
Reserves	_____	Transaction deposits	$3,000
Securities	$2,000	Nontransaction deposits	$6,000
Loans	$8,000		
		Bank capital	_____
TOTAL	_____	**TOTAL**	_____

Consider the bank above. Suppose an individual makes a $1,500 cash withdrawal from the bank. Record this transaction using a T-account (that is, reporting the changes in the bank's balance sheet). Indicate which assets and/or liabilities are changing and record the total change in each (enter "0" if there is no change) on the table below:

Assets		Liabilities	
TOTAL CHANGE	_____	**TOTAL CHANGE**	_____

Consider two banks: Bank A and Bank B. Now, suppose that Bank A gives a loan to one of its customers to finance the purchase of a new television from Best Buy for $3,000. Best Buy banks at Bank B. Record how these transactions will affect Bank A and Bank B. Indicate which assets and/or liabilities are changing and record the total change in each (enter "0" if there is no change) on the table below:

Bank A

Assets		Liabilities	
TOTAL CHANGE	_____	**TOTAL CHANGE**	_____

Bank B

Assets		Liabilities	
TOTAL CHANGE	_____	**TOTAL CHANGE**	_____

What has happened to total deposits in the banking system as a result of the loan?