



## 3055 BA SANGAM COLLEGE

PH: 6674003/9264117 E-mail: basangam@connect.com.fj



### REVISION QUESTIONS – WORKSHEET 22 YEAR 13 ECONOMICS

Strand	3- MACROECONOMICS
Sub Strand	Investigate how an economy operates and functions to achieve its economics growth
Content Learning Outcome	Explore the effects of money supply in the economy

#### Change in Money Supply

##### Activity

RBF is requires to keep reserve. The initial deposit is \$5 000. Therefore the initial balance sheet of a particular bank looks like this:

<b>Liabilities</b>	<b>\$</b>	<b>Assets</b>	<b>\$</b>
Reserves	1000	Demand deposits	5000
Advances	4000		
Total	5000	Total	5000

- Calculate the following :
  - reserve ratio
  - credit multiplier
  - increase in demand deposit
  - total increase in credit created
- What is the amount of:
  - primary expansion(Hint: it is the new deposit)
  - secondary expansion (Hint: It is the increase in credit created)
- Suppose the RBF required reserve ratio is 8%. Calculate the excess reserve?  
*Hint:  $1000 - (8\% \times 5000)$*
- Explain the significance of the reserve ratio as declared by the reserve bank of Fiji.

