

**Principles of Macroeconomics  
Homework Assignment 10  
Answer Sheet**

Name \_\_\_\_\_ Class Day/Time \_\_\_\_\_

**Questions of this homework are in the next few pages. Please find the answer of the questions and fill in the blanks below. Turn in this answer sheet on the due date in class. Keep the remaining pages to study.**

1. \_\_\_\_\_

11. \_\_\_\_\_

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12. \_\_\_\_\_

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10. \_\_\_\_\_

20. \_\_\_\_\_

# Principles of Macroeconomics

## Homework 10

Name \_\_\_\_\_

### Multiple Choice

**Table HW10 – 1** Consider the following traders who meet.

Bob	has an apple	and wants an orange
Ted	has an orange	and wants a peach
Mary	has a pear	and wants an apple
Alice	has a peach	and wants an orange

- \_\_\_\_\_ 1. Refer to Table HW10 – 1. Which of the following pairs have a double coincidence of wants?
- Bob with Alice
  - Ted with Alice
  - Bob with Mary, Ted with Bob, and Ted with Alice
  - None of the pairs above have a coincidence of wants with each other
- \_\_\_\_\_ 2. Which of the following best illustrates the unit of account function of money?
- You list prices for candy sold on your Web site, [www.sweettooth.com](http://www.sweettooth.com), in dollars.
  - You pay for your WNBA tickets with dollars.
  - You keep \$10 in your backpack for emergencies.
  - None of the above is correct.
- \_\_\_\_\_ 3. Mia puts money into a piggy bank so she can spend it later. What function of money does this illustrate?
- store of value
  - medium of exchange
  - unit of account
  - None of the above is correct.
- \_\_\_\_\_ 4. Which of the following best illustrates the medium of exchange function of money?
- You keep some money hidden in your shoe.
  - You keep track of the value of your assets in terms of currency.
  - You pay for your double latte using currency.
  - None of the above is correct.
- \_\_\_\_\_ 5. An item that people can use to transfer purchasing power from the present to the future is called
- a medium of exchange.
  - a unit of account.
  - a store of value.
  - None of the above is correct.
- \_\_\_\_\_ 6. Current U.S. currency is
- fiat money with intrinsic value.
  - fiat money with no intrinsic value.
  - commodity money with intrinsic value.
  - commodity money with no intrinsic value.
- \_\_\_\_\_ 7. Commodity money is
- backed by gold.
  - the principal type of money in use today.
  - money with intrinsic value.
  - receipts created in international trade that are used as a medium of exchange.
- \_\_\_\_\_ 8. Fiat money
- has no purchasing power.
  - has no intrinsic value.
  - may be used as a medium of exchange, but is not legal tender.
  - performs all the functions of money except providing a unit of account.

- \_\_\_ 9. If an economy used gold as money, its money would be
  - a. commodity money, but not fiat money.
  - b. fiat money, but not commodity money.
  - c. both fiat and commodity money.
  - d. neither fiat nor commodity money.
- \_\_\_ 10. Modern check originates from
  - a. commercial banks' bonds.
  - b. commercial banks' demand deposit.
  - c. commercial banks' checkable deposits.
  - d. goldsmith documents/receipts stating the value of the gold deposits.
- \_\_\_ 11. Which of the following is included in M2 but not in M1?
  - a. demand deposits
  - b. corporate bonds
  - c. large time deposits
  - d. money market mutual funds
- \_\_\_ 12. Which of the following isn't included in either M1 or M2?
  - a. U.S. Treasury bills
  - b. small time deposits
  - c. demand deposits
  - d. money market mutual funds

**Table HW10-2**

Type of Money	Amount
Large time deposits	\$80 billion
Small time deposits	\$75 billion
Demand deposits	\$75 billion
Checkable deposits	\$40 billion
Savings deposits	\$10 billion
Travelers' checks	\$1 billion
Money market mutual funds	\$15 billion
Currency	\$100 billion
Miscellaneous categories of M2	\$25 billion

- \_\_\_ 13. **Refer to Table HW10-2.** What is the M1 money supply?
  - a. \$215 billion
  - b. \$216 billion
  - c. \$226 billion
  - d. \$301 billion
- \_\_\_ 14. **Refer to Table HW10-2.** What is the M2 money supply?
  - a. \$125 billion
  - b. \$341 billion
  - c. \$421 billion
  - d. \$431 billion
- \_\_\_ 15. Reserve ratio refers to
  - a. the ratio of a bank's deposits to its loan.
  - b. the ratio of a bank's loan to its deposit.
  - c. the ratio of deposits the banks are legally required to hold as cash in the vault or as deposits at the Fed.
  - d. the ratio of deposits the banks voluntarily hold as cash in the vault to take care of daily withdrawal.

- \_\_\_\_\_ 16. Suppose the reserve ratio is 10 %. A bank has \$5,000 in deposits and has loaned out all it can. What is the bank's balance sheet look like?
- The bank has \$5000 in deposits, \$50 in reserve, and \$4,950 in loans.
  - The bank has \$5000 in deposits, \$555 in reserve, and \$4,445 in loans.
  - The bank has \$5000 in deposits, \$500 in reserve, and \$4,500 in loans.
  - The bank has \$5000 in deposits, \$10 in reserve, and \$4,990 in loans.

**Table HW 10-3** Bank of Tampa

Assets		Liabilities	
Reserves	\$100	Deposits	\$1,000
Loans	\$900		

- \_\_\_\_\_ 17. **Refer to Table HW 10-3.** If the Bank of Tampa has loaned out all the money it wants given its deposits, then its reserve ratio is
- 1%
  - 5%
  - 10%
  - 20%
- \_\_\_\_\_ 18. If the reserve ratio is 5%, what is the money multiplier?
- 5
  - 20
  - 15
  - 10
- \_\_\_\_\_ 19. If the reserve ratio is 5%, an initial deposit of \$2000 will create how much money supply?
- \$10,000.
  - \$40,000.
  - \$30,000.
  - \$20,000.
- \_\_\_\_\_ 20. If the money multiplier is 33, it means
- every one dollar in an initial deposit creates \$16.50 in money supply.
  - every one dollar in an initial deposit creates \$33 in money supply.
  - every one dollar in an initial deposit creates \$3.30 in money supply.
  - every one dollar in an initial deposit creates \$330 in money supply.