

CFA® SAMPLE QUESTION - LEVEL I

Economics

Q: Banks holding excess reserves will:

CORRECT ANSWER:

a) Reduce the money supply.

Holding excess reserves means less lending. This will decrease the money supply.

Choice "b" is incorrect. Holding excess reserves will decrease the money supply because there will be less lending.

Choice "c" is incorrect. Holding excess reserves will decrease the money supply, regardless of overall economic conditions.



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