

It should be noted that deposits and the totals have risen by £105,000, the corresponding items in the assets side being sterling and the loss in Profit and Loss Account. The margin between deposits and advances has also increased by £105,000.

(h) £90,000 worth of goods imported, £5,000 being charged for exchange, the total being paid for by cheque £50,000 from depositors and £45,000 from holders of advances.

<i>Liabilities.</i>				<i>Assets.</i>			
			£				£
Notes, &c.	..	..	36,000	Premises	..	..	1,000
Deposits	..	..	190,000	Gold	..	..	100,000
				Sterling	..	..	10,000
				Advances	..	..	95,000
				Government securities	..	..	20,000
			<u>£226,000</u>				<u>£226,000</u>

It will be observed that the aggregate figures have decreased by the amount of deposits used and that otherwise the decrease in sterling is balanced by increase in advances, the exchange charged wiping out the loss in Profit and Loss Account. Further, the margin between deposits and advances has decreased by the value of the imports plus exchange.

(i) £5,000 interest charged on advances and £1,000 paid in notes for wages and expenses:—

			£				£
Notes, &c.	..	..	37,000	Premises	..	..	1,000
Deposits	..	..	190,000	Gold	..	..	100,000
Profit and Loss Account	..	..	4,000	Sterling	..	..	10,000
				Advances	..	..	100,000
				Government securities	..	..	20,000
			<u>£231,000</u>				<u>£231,000</u>

(j) £90,000 further advances made, being drawn wholly by cheques which are lodged for collection:—

			£				£
Notes, &c.	..	..	37,000	Premises	..	..	1,000
Deposits	..	..	280,000	Gold	..	..	100,000
Profit and Loss Account	..	..	4,000	Sterling	..	..	10,000
				Advances	..	..	190,000
				Government securities	..	..	20,000
			<u>£321,000</u>				<u>£321,000</u>

The figures for both deposits and advances have altered accordingly, but the difference between them remains the same.

(k) Holders of advances dispose of sufficient of their assets to liquidate all advances, payments being received, £20,000 in notes and £170,000 in cheques, the whole being lodged to their accounts for collection.

			£				£
Notes, &c.	..	..	17,000	Premises	..	..	1,000
Deposits	..	..	110,000	Gold	..	..	100,000
Profit and Loss Account	..	..	4,000	Sterling	..	..	10,000
				Government securities	..	..	20,000
			<u>£131,000</u>				<u>£131,000</u>

It will be observed that deposits and notes combined have gone down by the amount of the advances repaid, the reason being that if all holders of advances are selling out their assets could be purchased only by note-holders or depositors.

PURCHASING-POWER.

The monetary purchasing-power available to the community at any given time consists of—

- (a) Notes and coin held by the public.
- (b) Amount of free deposits.
- (c) Unexercised advances for which authority has been granted.

Under present banking methods in New Zealand the last item is not disclosed in bank balance-sheets or returns. Concerning changes in the volume of the other two items, it should be noted—

- (1) That the purchase of gold bullion or Government securities or any additional assets by the bank on its own behalf increases available purchasing-power. (See examples (a) and (c).)
- (2) That advances expended in New Zealand increase deposits and/or notes by an equal amount. (See example (b).)