

**CORE COURSE – XII - FOREIGN EXCHANGE**

**UNIT I:**

Meaning of foreign exchange – importance of foreign exchange rate – Theories of determination of foreign exchange rate: Mint parity, Purchasing power, Parity Theory – criticisms – Balance of Payments Theory – Stable V Flexible and fluctuating foreign exchange rates and I.M.F.

**UNIT II:**

Concept of Balance of payments – Importance of Balance of payments – Balance of payments and Balance of Trade – Removal of disequilibrium – Change in foreign exchange rate – change in price – change in income.

**UNIT III:**

Devaluation of currency and its impact on balance of payments – Devaluation of rupee.

**UNIT IV:**

Exchange control – Meaning and essential features – Objects – Methods – payment agreements – Indirect Methods – Liberalisation Trend – evaluation.

**UNIT V:**

International Liquidity & IMF – SDR – IMF – IBRDI – IDA.

**RECOMMENDED TEXT BOOK:**

Foreign Exchange - D. Jeevanandam  
(4<sup>th</sup> Edn.) - Sultan Chand & Sons.

**BOOKS FOR REFERENCE:**

Vaish – Money, Banking and International Trade.