

# **CBSE – DEPARTMENT OF SKILL EDUCATION**

## **INTRODUCTION TO FINANCIAL MARKET (SUBJECT CODE -405)**

### **MARKING SCHEME OF SAMPLE QUESTION PAPER**

**Class X (Session 2019–2020)**

**Time: 2 Hours**

**Max. Marks: 50**

#### **General Instructions:**

- This Question Paper consists of two parts viz. Part A: Employability Skills and Part B: Subject Skills.*
- Part A: Employability Skills (10 Marks)**
  - Answer any 4 questions out of the given 6 questions of 1 mark each.*
  - Answer any 3 questions out of the given 5 questions of 2 marks each.*
- Part B: Subject Skills (40 Marks):**
  - Answer any 10 questions out of the given 12 questions of 1 mark each.*
  - Answer any 4 questions from the given 6 questions of 2 marks each.*
  - Answer any 4 questions from the given 6 questions of 3 marks each.*
  - Answer any 2 questions from the given 4 questions of 5 marks each.*
- This question paper contains 39 questions out of which 27 questions are to be answered.*
- All questions of a particular part/section must be attempted in the correct order.*
- The maximum time allowed is 2 hrs.*

### **PART A: EMPLOYABILITY SKILLS (10 MARKS)**

**Answer any 4 questions out of the given 6 questions of 1 mark each:**

<b>Sr.No.</b>	<b>Questions</b>	<b>Marks</b>
<b>1.</b>	_____ is a form of communication that allows students to put their feelings and ideas on paper. a. Listening Skill b. <b>Writing Skill</b> c. Speaking Skill	<b>(1)</b>
<b>2.</b>	<b>Stress Management</b> refers to _____. a. Focusing human efforts for maintaining a healthy body and mind. b. Capable of better withstanding stressful situations. c. <b>Both of the Above</b>	<b>(1)</b>
<b>3.</b>	<b>Stress causal agents</b> can have _____ origins. a. Mental or physical b. Social or Financial c. <b>Both of the above</b>	<b>(1)</b>
<b>4.</b>	<b>Highlight the Text</b> to _____. a. making the text look different b. to draw the reader's attention	<b>(1)</b>

	c. <b>Both of the Above</b>	
5.	<b>Business is a (an) _____ activity</b> a. social b. <b>Economic</b> c. hazardous	(1)
6.	<b>The various factors causing Ecological Imbalance are _____</b> a. Industrialization b. Urbanization c. <b>Both of the Above</b>	(1)

**Answer any 3 questions out of the given 5 questions of 2 marks each:**

7.	<b>What are the barriers of Effective Communication skill?</b> <b>Ans:</b> a. Physical Barriers b. Language Barriers c. Gender Barriers d. Attitudinal Barriers( $\frac{1}{2} \times 4 = 2$ )	(2)
8.	<b>Write the benefit to work independently?</b> <b>Ans:</b> 1. Individuals feel more empowered and responsible. 2. It provides flexibility to choose and define working hours and working mechanisms. (1+1)	(2)
9.	<b>Write the keyboard shortcut for the following :</b> <b>Ans:</b> a. Bold –Ctrl + B b. Italic -Ctrl + I (1+1)	(2)
10.	<b>Write the Characteristics of Entrepreneurship.</b> <b>Ans:</b> 1. Ability to take up risks 2. Believe in hard work and discipline. 3. Financial literacy and money management skills 4. Effective planning and execution.( $\frac{1}{2} \times 4 = 2$ )	(2)
11.	<b>Write the Importance of Green Economy?</b> <b>Ans:</b> 1. Green economy promotes sustainable development 2. Green economy promotes effective resource utilization. (1+1)	(2)

## **PART B: SUBJECT SKILLS (40 MARKS)**

**Answer any 10 questions out of the given 12 questions:**

12.	<b>Define Investment?</b> <b>Ans.</b> Instead of keeping the savings idle, use savings in order to get return on it in the future.This is called Investment. (1)	(1)
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13.	<b>Write any two financial assets?</b> Ans: Fixed deposits with banks, securities market related instruments like shares. <span style="float: right;">(<math>\frac{1}{2} + \frac{1}{2} = 1</math>)</span>	(1)
14.	<b>Write the segments of securities market?</b> Ans: 1. Primary Market 2. Secondary Market <span style="float: right;">(<math>\frac{1}{2} + \frac{1}{2} = 1</math>)</span>	(1)
15.	<b>Name the regulator of Securities market?</b> Ans: SEBI(Securities and Exchange Board of India )(1)	(1)
16.	<b>What is meant by issue price?</b> Ans: The price at which a company's shares are offered initially in the primary market. <span style="float: right;">(1)</span>	(1)
17.	<b>How do you know if your Broker or Sub Broker is registered with SEBI?</b> Ans: A broker's registration number begins with the letters 'INB'( $\frac{1}{2}$ ) and that of a sub broker with the letters 'INS'. ( $\frac{1}{2}$ )	(1)
18.	<b>Define Equity Shares?</b> Ans: An equity share, commonly referred to as ordinary share, represents the form of fractional ownership in a business venture.(1)	(1)
19.	<b>What option buyer pays upfront to get the right in option contract?</b> Ans:The buyer has to pay Option Premium.(1)	(1)
20.	<b>What is call option?</b> Ans: It gives the <b>buyer the right but not the obligation</b> to buy a given quantity of the underlying asset.( $\frac{1}{2} + \frac{1}{2}$ )	(1)
21.	<b>What is Net Asset Value?</b> Ans: Net Asset Value of the fund is the cumulative market value of the assets of the fund net of its liabilities.(1)	(1)
22.	<b>Name the type of capital the company is authorized to raise through issue?</b> Ans: Authorized Capital <span style="float: right;">(1)</span>	(1)
23.	<b>How do you find P/E ratio?</b>  $P/E \text{ Ratio} = \frac{\text{Market Price per Share}}{EPS}$ (1)	(1)

**Answer any 4 questions out of the given 6 questions of 2 marks each:**

24.	<b>What factors determined the interest rate?</b> Ans: I. Demand for money II. Level of Government borrowings III. Supply of money IV. Inflation rate( $\frac{1}{2} * 4 = 2$ )	(2)
25.	<b>What is Public Provident Fund?</b> Ans: A long term savings instrument with a <b>maturity of 15 years</b> and interest payable which compounded annually. <b>Tax benefits</b> can be availed for the amount invested and interest accrued is tax-free.(1+1)	(2)

26.	<p><b>Write the analogy between Bank and Depository?</b>  <b>Ans:</b></p> <table border="1" data-bbox="224 300 1344 451"> <thead> <tr> <th data-bbox="224 300 784 338">Bank</th> <th data-bbox="784 300 1344 338">Depository</th> </tr> </thead> <tbody> <tr> <td data-bbox="224 338 784 375">Holds funds in an account.</td> <td data-bbox="784 338 1344 375">Hold securities in an account</td> </tr> <tr> <td data-bbox="224 375 784 451">Transfers funds between accounts on the</td> <td data-bbox="784 375 1344 451">Transfers securities between accounts on</td> </tr> </tbody> </table> <p style="text-align: right;">(1+1)</p>	Bank	Depository	Holds funds in an account.	Hold securities in an account	Transfers funds between accounts on the	Transfers securities between accounts on	(2)
Bank	Depository							
Holds funds in an account.	Hold securities in an account							
Transfers funds between accounts on the	Transfers securities between accounts on							
27.	<p><b>Write the benefits (Any Two) of participation in a Depository?</b>  <b>Ans:</b></p> <ol style="list-style-type: none"> <li>1. Immediate transfer of securities.</li> <li>2. Reduction in transaction cost.</li> </ol> <p style="text-align: right;">(1+1)</p>	(2)						
28.	<p><b>What do you know about Rolling Settlement of Trading?</b>  <b>Ans:</b> Under rolling settlement all open positions at the end of the day mandatorily result in payment/delivery 'n' days later.(1)  Currently trades in rolling settlement are settled on <b>T+2 basis</b> where T is the trade day.  (1)</p>	(2)						
29.	<p><b>Can you define Pay-in and Pay-out of Securities?</b>  <b>Ans:</b></p> <ol style="list-style-type: none"> <li>1. Pay-in day is the day when the securities sold are delivered to the exchange by the sellers and funds for the securities purchased are made available to the exchange by the buyers. (1)</li> <li>2. Pay-out day is the day the securities purchased are delivered to the buyers and the funds for the securities sold are given to the sellers by the exchange.(1)</li> </ol>	(2)						

**Answer any 4 questions out of the given 6 questions of 3 marks each:**

30.	<p><b>What is SEBI and write its statutory power?</b>  <b>Ans:</b> (a) Protecting the interests of investors in securities.(1)  (b) Promoting the development of the securities market.(1)  (c) Regulating the securities market.(1)</p>	(3)
31.	<p><b>Write any three risks which mutual funds are exposed?</b>  <b>Ans:</b> Some of the Risk to which Mutual Funds are exposed to is given below:</p> <ol style="list-style-type: none"> <li><b>1. Market risk</b>  If the overall stock or bond markets fall on account of overall economic factors, the value of stock or bond holdings in the fund's portfolio can drop, thereby impacting the fund performance.</li> <li><b>2. Non-market risk</b>  Bad news about an individual company can pull down its stock price, which can negatively affect fund holdings. This risk can be reduced by having a diversified portfolio that consists of a wide variety of stocks drawn from different industries.</li> <li><b>3. Interest rate risk</b>  Bond prices and interest rates move in opposite directions. When interest rates rise, bond prices fall and this decline in underlying securities affects the fund negatively.</li> </ol> <p style="text-align: right;">(1+1+1=3)</p>	(3)

32.	<p><b>Write the term Authorised Capital, Issued Capital and Subscribed Capital?</b></p> <p><b>Ans:</b></p> <ol style="list-style-type: none"> <li><b>1. Authorized capital</b> is the maximum capital that a company is authorized to raise.</li> <li><b>2. Issued capital</b> is that part of the authorized capital which is offered by the company for being subscribed by members of the public or anybody.</li> <li><b>3. Subscribed capital</b> is that part of the issued capital which is subscribed (accepted) by the public.</li> </ol> <p style="text-align: right;"><b>(1+1+1=3)</b></p>	(3)				
33.	<p><b>What is Meant by Application of Funds?</b></p> <p><b>Ans:</b> The funds collected by a company from the owners and outsiders are employed to create following assets:</p> <ol style="list-style-type: none"> <li><b>1. Fixed Assets:</b> These assets are acquired for long-terms and are used for business operation, but not meant for resale. The land and buildings, plant, machinery, patents, and copyrights are the fixed assets. In case of the XYZ COMPANY LTD., fixed assets are worth Rs. 526.75 crore.</li> <li><b>2. Investments:</b> The investments are the financial securities created by investing surplus funds into any non-business related avenues for getting income either for long-term or short-term. Thus incomes and gains from the investments are not from the business operations.</li> <li><b>3. Current Assets, Loans, and Advances:</b> This consists of cash and other resources which can be converted into cash during the business operation. Current assets are held for a short term period for meeting day-to- day operational expenditure. The current assets are in the form of raw materials, finished goods, cash, debtors, inventories, loans and advances, and pre-paid expenses.</li> </ol> <p style="text-align: right;"><b>(1+1+1=3)</b></p>	(3)				
34.	<p><b>Describe any three Formulas of Liquidity Ratio?</b></p> <p><b>Ans:</b> Liquidity refers to the ability of a firm to meet its financial obligations in the short-term which is less than a year. Certain ratios, which indicate the liquidity of a firm, are (i) Current Ratio, (ii) Acid Test Ratio, (iii) Turnover Ratios. It is based upon the relationship between current assets and current liabilities.</p> <p><b>i. Current Ratio = <math>\frac{\text{Current Assets}}{\text{Current Liabilities}}</math></b></p> <p>The current ratio measures the ability of the firm to meet its current liabilities from the current assets. Higher the current ratio, greater the short-term solvency .</p> <p><b>ii. Acid-test Ratio = <math>\frac{\text{Quick Assets}}{\text{Current Liabilities}}</math></b></p> <p>Quick assets are defined as current assets excluding inventories and prepaid expenses. The acid-test ratio is a measurement of firm's ability to convert its current assets quickly into cash in order to meet its current liabilities.</p> <p><b>iii. Inventory Turnover Ratio = <math>\frac{\text{Cost of Goods Sold}}{\text{Average Inventory}}</math></b></p> <p>Turnover ratios measure how quickly certain current assets are converted into cash or how efficiently the assets are employed by a firm.</p> <p style="text-align: right;"><b>(1+1+1=3)</b></p>	(3)				
35.	<p><b>Calculate Current Ratio from the following information:</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%; padding: 5px;">Particulars</th> <th style="width: 50%; padding: 5px;">Amount (Rs.)</th> </tr> </thead> <tbody> <tr> <td style="height: 20px;"> </td> <td> </td> </tr> </tbody> </table>	Particulars	Amount (Rs.)			(3)
Particulars	Amount (Rs.)					

<b>Inventories</b> <b>Bill Receivable</b> <b>Advance Tax</b> <b>Cash</b> <b>Bill Payable</b> <b>Bank Overdraft</b>	<b>50,000</b> <b>50,000</b> <b>4,000</b> <b>30,000</b> <b>1,00,000</b> <b>4,000</b>	
<p><i>Solution:</i></p> <p>Current Ratio = <math>\frac{\text{Current Assets}}{\text{Current Liabilities}}</math></p> <p>Current Assets = Inventories + Trade receivables + Advance tax + Cash and cash equivalents = Rs. 50,000 + Rs. 50,000 + Rs. 4,000 + Rs. 30,000 = Rs. 1,34,000</p> <p>Current Liabilities = Trade payables + Short-term borrowings = Rs. 1,00,000 + Rs. 4,000 = Rs. 1,04,000</p> <p>Current Ratio = <math>\frac{\text{Rs.1,34,000}}{\text{Rs.1,04,000}} = 1.29 : 1</math></p>		
		<b>(1+1+1=3)</b>

**Answer any 2 questions out of the given 4 questions of 5 marks each:**

<b>36.</b>	<p><b>Classify the Issues available in primary Market?</b>  <b>Ans:</b> The classification of issues is illustrated below:</p> <ol style="list-style-type: none"> <li><b>1. Initial Public Offering (IPO)</b> is when an unlisted company makes either a fresh issue of securities or an offer for sale of its existing securities or both for the first time to the public. This paves way for listing and trading of the issuer's securities. (1)</li> <li><b>2. A follow on public offering (Further Issue)</b> is when an already listed company makes either a fresh issue of securities to the public or an offer for sale to the public, through an offer document. (1)</li> <li><b>3. Rights Issue</b> is when a listed company which proposes to issue fresh securities to its existing shareholders as on a record date. The rights are normally offered in a particular ratio to the number of securities held prior to the issue. This route is best suited for companies who would like to raise capital without diluting stake of its existing shareholders. (1 ½)</li> <li><b>4. A Preferential issue</b> is an issue of shares or of convertible securities by listed companies to a select group of persons under Section 81 of the Companies Act, 1956 which is neither a rights issue nor a public issue. This is a faster way for a company to raise equity capital. (1 ½)</li> </ol>	<b>(5)</b>
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37.	<p><b>Define the Following terms :</b></p> <p><b>Cut off Price:</b> In a Book building issue, the issuer is required to indicate either the price band or a floor price in the prospectus. The actual discovered issue price can be any price in the price band or any price above the floor price. This issue price is called “Cut-Off price”.</p> <p><b>Price Band:</b> The prospectus may contain either the floor price for the securities or a price band within which the investors can bid. The spread between the floor and the cap of the price band shall not be more than 20%.</p> <p><b>Abridged Prospectus:</b> ‘Abridged Prospectus’ is a shorter version of the Prospectus and contains all the salient features of a Prospectus. It accompanies the application form of public issues.</p> <p><b>American Depository Share:</b> An American Depository Share (“ADS”) is a U.S. dollar denominated form of equity ownership in a non-U.S. company. It represents the foreign shares of the company held on deposit by a custodian bank in the company’s home country and carries the corporate and economic rights of the foreign shares, subject to the terms specified on the ADR certificate.</p> <p><b>Global Depository Receipts:</b> Global Depository Receipts (GDRs) may be defined as a global finance vehicle that allows an issuer to raise capital simultaneously in two or markets through a global offering. GDRs may be used in public or private markets inside or outside US. GDR, a negotiable certificate usually represents company’s traded equity/debt.</p> <p style="text-align: right;"><b>(1+1+1+1+1=5)</b></p>	(5)
38.	<p><b>What is Contract Note? What details are required to be mentioned on the contract note issued by the stock broker?</b></p> <p><b>Ans:</b> Contract Note is a confirmation of trades done on a particular day on behalf of the client by a trading member.</p> <p><b>(1)</b></p> <p>The contract note inter-alia should have following: (Any Eight)</p> <ol style="list-style-type: none"> <li>1) Name, address and SEBI Registration number of the Member broker.</li> <li>2) Dealing Office Address/Tel. No./Fax no., Code number of the member given by the Exchange.</li> <li>3) Contract number, date of issue of contract note, settlement number and time period for settlement.</li> <li>4) Order number and order time corresponding to the trades.</li> <li>5) Trade number and Trade time.</li> <li>6) Quantity and kind of security bought/sold by the client.</li> <li>7) Brokerage and Purchase/Sale rate.</li> <li>8) GST, Securities Transaction Tax and any other charges levied by the broker.</li> </ol> <p style="text-align: right;"><b>( ½ *8 = 4)</b></p>	(5)
39.	<p><b>Define the Following :</b></p> <p><b>Ans:</b></p> <ol style="list-style-type: none"> <li>1. <b>Bid and Ask Price :</b>  <p><b>The ‘Bid’</b> is the buyer’s price. It is this price that you need to know when you have to sell a stock.</p> <p><b>The ‘Ask’</b> (or offer) is what you need to know when you’re buying i.e. this is the rate/ price at which there is seller ready to sell his stock</p> </li> <li>2. <b>Bonus Shares:</b> Shares issued by the companies to their shareholders free of cost based on the number of shares the shareholder owns.</li> </ol>	(5)

3. **SBTS:** NSE introduced a nationwide, on-line, fully-automated **Screen Based Trading System** (SBTS) where a member can punch into the computer the quantities of a security and the price at which he would like to transact, and the transaction is executed as soon as a matching sale or buy order from a counter party is found.
4. **Zero Coupon Bonds:** Bond issued at a discount and repaid at a face value. No periodic interest is paid. The difference between the issue price and redemption price represents the return to the holder. The buyer of these bonds receives only one payment, at the maturity of the bond.
5. **Treasury Bill :** Short-term (up to one year) bearer discount security issued by government as a means of financing their cash requirements

**(1+1+1+1+1=5)**