B.K. BIRLA CENTRE FOR EDUCATION

SARALA BIRLA GROUP OF SCHOOLS
A CBSE DAY-CUM-BOYS' RESIDENTIAL SCHOOL

TERM 1 EXAMINATION - 2026-27

FINANCIAL MARKETS MANAGEMENT – SET A

MARKING SCHEME

Class: XI | **Time: 3hrs**
Date: 9.09.2026 | **Max Marks: 60**
Admission no: | **Roll no:**

INSTRUCTION:

I. Question paper comprises four Sections–A, B, C and D. There are 34 questions in the question paper.

II. Section A –Question 1 to 20 are MCQs of 1 mark each.

III. Section B–Question no.21 to 25 is Very Short Answer Type Questions, carrying 2 marks each. Answer to each question should not exceed 20-40 words.

IV. Section C-Question no.26 to 31 are Short Answer Type Questions, carrying 3marks each. Answer to each question should not exceed 40-60 words.

V. Section D–Question no.32 to 34 are Long Type Questions, carrying 4 marks each. Answer to each question should not exceed 80-100 words.

SECTION-A

1. Equity shareholders are the: [1]

(a) Creditors
(b) Owners of the company
(c) Debenture holders
(d) Preference shareholders

2. Which institution regulates the securities market in India? [1]

(a) RBI
(b) IRDAI
(c) NABARD
(d) SEBI

3. **Assertion (A):** Financial markets help in mobilising savings. [1]
Reason (R): Financial markets channel savings into productive investments.

(a) Both Assertion (A) and Reason (R) are true, and (R) is the correct explanation of (A).
(b) Both Assertion (A) and Reason (R) are true, but (R) is NOT the correct explanation of (A).
(c) Assertion (A) is true, but Reason (R) is false.
(d) Assertion (A) is false, but Reason (R) is true.

4. Which of the following pairs is correctly matched? [1]

(a) Money Market – Long-term securities
(b) Capital Market – Instruments with maturity below one year
(c) Money Market – Short-term borrowing and lending
(d) Capital Market – Treasury Bills

5. Riya invested ₹5 lakh in purchasing a commercial shop, while Aryan invested the same amount in corporate bonds. Which statement correctly distinguishes their investments? [1]

(a) Both are financial assets.
(b) Riya owns a physical asset, whereas Aryan owns a financial asset.
(c) Aryan owns a physical asset, whereas Riya owns a financial asset.
(d) Both are real assets.

6. Which of the following best describes a financial market? [1]

(a) A place where only shares are bought and sold
(b) A marketplace for trading goods and services
(c) A mechanism that facilitates the transfer of funds between investors and users of funds
(d) A government department that regulates banks

7.Which market deals with the issue of new securities for the first time? [1]

. (a) Secondary Market
(b) Primary Market
(c) Money Market
(d) Derivatives Market

8.Which of the following is **not** a method of issuing securities in the primary market? [1]

(a)Public Issue
(b) Rights Issue
(c) Stock Exchange Trading
(d) Private Placement

9.An Initial Public Offering (IPO) refers to: [1]

(a) Sale of existing shares between investors
(b) Purchase of government securities
(c) Sale of bonds only
(d) **First sale of securities by a company to the public**

10.Which of the following is the main function of the secondary market? [1]

(a) Creation of new securities
(b) Trading of existing securities
(c) Lending money to companies
(d) Issuing debentures

11.In the secondary market, the transaction takes place between: [1]

(a) Company and Investors
(b) Government and Investors
(c) **Investors and Investors**
(d) Company and Government

12. Normally, issues are made at [1]

(a) Face Value **(b) Premium**
(c) Discount (d) Depends upon the market

13.Price discovery in the secondary market is mainly based on: [1]

(a) Demand and Supply
(b) Company profits only
(c) Government orders
(d) RBI guidelines

14.Which of the following provides liquidity to investors? [1]

(a) Insurance Market
(b) Commodity Market
(c) Primary Market
(d) Secondary Market

15.Which type of mutual fund primarily invests in equity shares? [1]

(a) Debt Fund
(b) Equity Fund
(c) Liquid Fund
(d) Chit Fund

16.Which of the following is the main objective of a debt mutual fund? [1]
(a) Capital appreciation
(b) Wealth creation through equities
(c) Regular income with relatively lower risk
(d) Investing only in foreign securities

17.A mutual fund that invests in both equity and debt instruments is known as: [1]
(a) Index Fund
(b) Liquid Fund
(c) Sectoral Fund
(d) Hybrid Fund

18.The Net Asset Value (NAV) of a mutual fund is calculated:
[1]
(a) Once every month
(b) Once every quarter
(c) At the end of every trading day
(d) Every financial year

19. **Assertion (A):** Systematic Investment Plans (SIPs) help investors invest a fixed amount at regular intervals. [1]
Reason (R): SIPs guarantee higher returns than all other modes of investment.
(a) Both Assertion (A) and Reason (R) are true, and (R) is the correct explanation of (A).
(b) Both Assertion (A) and Reason (R) are true, but (R) is NOT the correct explanation of (A).
(c) Assertion (A) is true, but Reason (R) is false.
(d) Assertion (A) is false, but Reason (R) is true.

20.Which of the following statements is **correct**?
[1]
(a) A New Fund Offer is issued every trading day.
(b) Mutual funds completely eliminate investment risk.
(c) Fund managers make investment decisions according to the scheme objectives.
(d) Debt funds always provide higher returns than equity funds.

SECTION –B

21.Differentiate between the money market and the capital market. [2]
Answer:

Money Market	Capital Market
Deals with short-term funds (up to one year).	Deals with long-term funds (more than one year).
Instruments include Treasury Bills, Commercial Papers, etc.	Instruments include shares, debentures and bonds.

22. State any two functions of financial markets. [2]
Answer:

Financial markets perform several important functions:

1. **Mobilisation of Savings:** They collect savings from individuals and institutions and channel them into productive investments.
2. **Efficient Allocation of Capital:** They ensure that funds are allocated to businesses and sectors where they can be used most effectively.

23. What is a Demat account? Why is it necessary? [2]

Answer - A Demat account is an electronic account used to hold securities in digital form. It eliminates risks associated with physical certificates such as loss, theft, damage, or forgery and facilitates faster settlement of transactions.

24. Define a mutual fund. How does it benefit small investors? [2]

Answer:A mutual fund is an investment vehicle that pools money from many investors and invests it in a diversified portfolio of securities. It benefits small investors by providing professional fund management, diversification, and access to investments that may otherwise require large amounts of capital.

25. Why is diversification considered an important feature of mutual funds? [2]

Answer:Diversification means investing in a variety of securities across different companies and sectors. It reduces the overall investment risk because poor performance of one investment may be offset by better performance of others.

SECTION-C

26. Explain any three types of financial instruments. [3]

Answer: Three common financial instruments are:

1. **Equity Shares – Provide ownership in the company.**
2. **Preference Shares – Provide fixed dividends and preferential rights.**
3. **Debentures – Debt instruments through which companies borrow money from investors.**

27. Explain any three objectives of financial markets. [3]

Answer:The objectives of financial markets are:

1. **To channel savings into productive investments.**
2. **To provide liquidity to investors.**
3. **To facilitate capital formation and economic growth.**

28. Explain any three features of the Secondary Market. [3]

Answer:The important features of the secondary market are:

1. **Trading of Existing Securities: Only previously issued securities are bought and sold.**
2. **Provides Liquidity: Investors can easily convert their investments into cash.**
3. **Price Determination: Prices are determined by the forces of demand and supply.**

29. Explain the importance of a Prospectus in a public issue. [3]

Answer:A prospectus is an important legal document issued by a company before inviting the public to subscribe to its securities.

Its importance includes:

1. **It provides complete information about the company and the securities offered.**
2. **It helps investors make informed investment decisions.**
3. **It promotes transparency and protects investors from misleading information.**

30.Explain any three features of a Debt Mutual Fund. [3]

Answer: The important features of a debt mutual fund are:

1. **It invests mainly in fixed-income securities such as bonds and debentures.**
2. **It provides comparatively stable and regular returns.**
3. **It is generally suitable for conservative investors with a lower risk appetite.**

31. Explain any three advantages of Systematic Investment Plan (SIP). [3]

Answer:The advantages of investing through SIP are:

1. **Regular Investment Habit: Investors invest a fixed amount at regular intervals.**
2. **Affordable Investment: Small amounts can be invested periodically.**
3. **Benefit of Rupee Cost Averaging: Investors purchase more units when prices are low and fewer units when prices are high, reducing the impact of market fluctuations.**

SECTION-D

32.Explain the importance of financial markets in the development of an economy. [4]

Answer: Financial markets play a significant role in the economic development of a country.

1. Promote Savings:
Financial markets encourage individuals to save and invest their money productively.

2. Facilitate Capital Formation:
They provide funds to businesses for expansion, production and innovation.

3. Ensure Efficient Allocation of Resources:
Funds are channelled to sectors where they are most productive.

4. Generate Employment and Economic Growth:
Investment in industries leads to increased production, employment opportunities and overall economic development.

33.Explain the different methods through which companies can raise funds in the primary market. [4]

Answer: Companies can raise capital through various methods in the primary market.

1. Initial Public Offering (IPO):
The company offers its shares to the public for the first time.

2. Rights Issue:
Additional shares are offered to existing shareholders at a specified price.

3. Private Placement:
Securities are issued to a selected group of investors instead of the general public.

4. Offer for Sale (OFS):
Existing shareholders sell their shares to the public through the stock exchange mechanism.

These methods help companies meet their financial requirements for expansion and business growth.

34.Explain the advantages of investing in mutual funds .[4]

Answer:Mutual funds offer several benefits to investors.

1. Professional Management:
Qualified fund managers make investment decisions on behalf of investors.

2. Diversification:
Money is invested in a variety of securities, reducing overall investment risk.

3. Liquidity:
Open-ended mutual funds allow investors to buy or redeem units conveniently.

4. Affordability:
Investors can start investing with a small amount, making mutual funds accessible to a large number of people.

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