B.K. BIRLA CENTRE FOR EDUCATION

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

MID TERM - 2026-27
FINANCIAL MARKETS MANAGEMENT – SET 2
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. are compulsory.
III. Section A –Question 1 to 20 are MCQs of 1 mark each.
IV. 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.
V. 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.
VI. 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. Which of the following is **not** a characteristic of an efficient financial market? [1]
(a) Easy transfer of funds
(b) Price discovery
(c) High liquidity
(d) Guaranteed profits to investors

2. A company requires funds to establish a new manufacturing unit. Which financial instrument would be most appropriate for raising long-term ownership capital? [1]
(a) Treasury Bills
(b) Equity Shares
(c) Certificate of Deposit
(d) SEBI

3. **Assertion (A):** Debentures are debt instruments. [1]
Reason (R): Debenture holders are creditors of the company.
(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) Equity Shares – Fixed annual interest
(b) Debentures – Debt instrument issued by a company
(c) Treasury Bills – Long-term Government security
(d) Commercial Paper – Secured borrowing instrument

5. Neha has □8 lakh available for investment. She wants to invest in a financial instrument that allows her to become a part-owner of a company and participate in its future growth. She understands that the returns are not fixed and depend on the company's performance. Which financial instrument should she choose? [1]
(a) Debentures

(b) Treasury Bills
(c) Equity Shares
(d) Commercial Paper.

6. Which of the following institutions acts as a financial intermediary by accepting deposits from savers and providing loans to borrowers? [1]
(a) Stock Exchange
(b) Mutual Fund
(c) Insurance Company
(d) Commercial Bank

7. One important benefit of listing securities on a stock exchange is: [1]
(a) Guaranteed profits
(b) Easy buying and selling of securities
(c) Elimination of risk
(d) Exemption from SEBI regulations

8. Which of the following is an example of a recognized stock exchange in India? [1]
(a) NSE
(b) NABARD
(c) RBI
(d) SIDBI

9. Which method allows a company to issue securities directly to selected investors? [1]
(a) IPO
(b) Offer for Sale
(c) Private Placement
(d) Bonus Issue

10. A Rights Issue is offered to: [1]
(a) General Public
(b) Institutional Investors
(c) Existing Shareholders
(d) Foreign Investors only

11. The process through which the issue price of shares is determined based on investor demand is known as: [1]
(a) Book Building
(b) Bonus Issue
(c) Rights Issue
(d) Fixed Price Issue

12. In a fixed price issue, investors know: [1]
(a) Price of the issue before applying
(b) Daily trading price
(c) Number of bidders only
(d) Final demand after allotment

13. Which document contains complete information about a public issue? [1]
(a) Share Certificate
(b) Annual Report
(c) Trading Account
(d) Prospectus

14. A company decides to issue additional shares to existing shareholders in proportion to their holdings. This is called: [1]
(a) IPO

(b) Offer for Sale
(c) Rights Issue
(d) Buyback

15. Diversification in mutual funds helps investors by: [1]
(a) Eliminating all investment risk
(b) Guaranteeing higher returns
(c) Reducing the overall investment risk
(d) Increasing taxation benefits

16. Which mutual fund is most suitable for an investor seeking high liquidity for a very short period? [1]
(a) Equity Fund
(b) Liquid Fund
(c) Sectoral Fund
(d) ELSS Fund

17. A New Fund Offer (NFO) refers to: [1]
(a) Daily purchase of units
(b) Maturity of a mutual fund
(c) Merger of two mutual funds
(d) Launch of a new mutual fund scheme

18. The money collected from investors in a mutual fund is invested according to the: [1]
(a) Investment objective of the scheme
(b) Choice of the stock exchange
(c) RBI guidelines only
(d) Investor's personal preference

19. **Assertion (A):** NAV remains constant throughout the life of a mutual fund. [1]
Reason (R): The value of the underlying securities changes regularly.
(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. Choose the **correct statement.** [1]
(a) SEBI manages every mutual fund scheme.
(b) AMCs manage mutual fund schemes on behalf of investors.
(c) Investors directly purchase securities selected by SEBI.
(d) Mutual funds can invest only in listed equity shares.

SECTION –B

21.Explain the role of financial instruments in the economy. [2]
Answer:Financial instruments represent a claim on financial assets and help in transferring funds between investors and borrowers. They provide investment opportunities, facilitate capital formation, and contribute to economic growth by efficiently allocating financial resources.

22. Distinguish between financial assets and real assets. [2]
Answer - Financial assets are claims on future income, such as shares and bonds, whereas real assets are physical assets like land, buildings, machinery, and equipment that are used in production.

23.Explain any two benefits of listing securities on a stock exchange. [2]
Answer - Liquidity: Investors can easily buy and sell securities whenever required.

Transparency: Listed companies must comply with disclosure norms, increasing investor confidence.

24. Differentiate between an open-ended and a closed-ended mutual fund. [2]

Answer:

Open-ended Fund	Closed-ended Fund
Investors can buy or redeem units at any time.	Units can generally be redeemed only after maturity.
Offers high liquidity.	Has comparatively lower liquidity.

25. What is the role of a Fund Manager in a mutual fund? [2]

Answer:A Fund Manager is responsible for managing the investment portfolio of the mutual fund. The fund manager analyses market conditions, selects suitable securities, monitors investments, and makes buying and selling decisions in line with the objectives of the scheme to maximise returns while managing risk.

SECTION-C

26.Explain any three advantages of financial markets. [3]

Answer:Financial markets provide several benefits:

1. **They help businesses raise capital for expansion.**
2. **They provide investment opportunities to individuals.**
3. **They contribute to the economic development of the country by ensuring efficient use of financial resources.**

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

Answer: Financial markets perform the following functions:

1. **Mobilise Savings:** They encourage people to save and invest.
2. **Provide Liquidity:** Investors can convert their investments into cash whenever required.
3. **Price Determination:** Prices of financial instruments are determined through demand and supply.

28. Explain any three objectives of the Primary Market. [3]

Answer: The primary market serves the following objectives:

1. **Raising Capital:** It enables companies to raise fresh funds for expansion and business activities.
2. **Encouraging Investment:** It provides an opportunity to investors to purchase securities directly from the issuing company.
3. **Capital Formation:** It helps in mobilising public savings for productive economic activities.

29.Explain any three benefits of holding securities in Demat form. [3]

Answer: Holding securities in Demat form offers several advantages:

1. **Eliminates Risk of Loss or Theft:** Electronic holdings are safer than physical certificates.
2. **Quick Transfer of Securities:** Buying and selling become faster and more convenient.
3. **Reduces Paperwork:** It simplifies investment management and eliminates the need for physical documentation.

30. Explain any three features of mutual funds. [3]

Answer:

The important features of mutual funds are:

1. **Pooling of Funds:** Money is collected from a large number of investors.
2. **Professional Management:** Qualified fund managers manage the investments.
3. **Diversification:** Investments are spread across different securities to reduce risk.

31.Explain any three responsibilities of an Asset Management Company (AMC). [3]

Answer:An Asset Management Company performs the following responsibilities:

1. Managing Investments: It invests the pooled money according to the objectives of the mutual fund scheme.
2. **Ensuring Compliance:** It follows SEBI regulations and maintains transparency in operations.
3. **Protecting Investors' Interests:** It regularly monitors the portfolio and provides information regarding the performance of the schemes.

SECTION-D

32. Describe the different participants in a financial market. Explain the role of each participant. [4]

Answer: A financial market consists of different participants who help in the smooth functioning of the financial system.

1. Investors:
Investors provide funds by purchasing financial instruments such as shares, bonds and mutual funds. They expect returns in the form of interest, dividends or capital appreciation.

2. Borrowers:
Borrowers include companies and governments that raise funds from the financial market to finance business activities, expansion projects and development programmes.

3. Financial Intermediaries:
Banks, insurance companies, mutual funds and other financial institutions act as intermediaries between investors and borrowers by mobilising savings and allocating funds efficiently.

4. Regulators:
Regulatory authorities such as SEBI ensure transparency, protect investors' interests and maintain fair practices in the financial market.

33.Compare the Primary Market and the Secondary Market on any four points. [4]

Answer:

Basis	Primary Market	Secondary Market
Nature of Securities	Deals in new securities	Deals in existing securities
Purpose	Raises fresh capital for companies	Provides liquidity to investors

Parties Involved	Company and investors	Investors buy and sell among themselves
Flow of Funds	Money goes to the issuing company	Money goes to the selling investor

Conclusion: Both markets complement each other. The primary market helps companies raise funds, while the secondary market provides liquidity and facilitates continuous trading.

34. Explain the different types of mutual funds based on their investment objectives. [4]

Answer:Mutual funds are classified according to where they invest.

1. Equity Funds:
These invest mainly in equity shares and aim for long-term capital appreciation. They involve relatively higher risk.

2. Debt Funds:
These invest in fixed-income securities such as bonds and debentures and provide relatively stable returns with lower risk.

3. Hybrid Funds:
These invest in both equity and debt instruments, balancing risk and return.

4. Liquid Funds:
These invest in short-term money market instruments and are suitable for investors seeking high liquidity and low risk.

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