CBSE CLASS X

Introduction to Financial Markets (405)

ANSWER KEY

From previous CBSE Board Exam questions

Code: CZ5D1M	Questions: 6	Maximum Marks: 12	Generated: 2026-06-15 13:05

SELECTIONS USED

Source	Previous-year board
Subject	Financial Market Management
Lessons	Concepts & Modes of Analysis
Year	2023-2026
Questions selected	6

Composition — Types: 4 Short · 1 Assertion–reason · 1 MCQ · 1 competency

Q1. § INVESTMENT BASICS § What is Investment? § Why should one invest? **[1]**

Assertion (A) : All fixed assets, except for land, have a defined lifespan.
Reason (R) : Each year, it is assumed that the value of an asset decreases due to usage. The decrease in value is referred to as 'Depreciation'.

(A) Both (A) and (R) are true and (R) is the correct explanation of (A).
(B) Both (A) and (R) are true, but (R) is not the correct explanation of (A).
(C) (A) is true, but (R) is false.
(D) (A) is false, but (R) is true.

Previously asked in: 2026 92 Q5 (vi)

◆ **Investment Basics** Depreciation of Fixed Assets

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Model Answer

(B) Both (A) and (R) are true, but (R) is not the correct explanation of (A).

Assertion is true as all fixed assets except land have a fixed life. Reason is also true — annual decrease in asset value due to usage is Depreciation — but depreciation does not *explain why* land is excluded from having a defined lifespan.

Explanation

- The source passage states: *"all fixed assets except land have a fixed life"* (A is true) and *"every year the worth of an asset falls due to usage — this reduction is called Depreciation"* (R is true).
- However, R explains what depreciation is, **not why** land has no defined lifespan. Hence R is not the correct explanation of A → Option **(B)**.
- A common mistake is choosing (A), but that would require R to directly justify the exemption of land, which it does not.

Q2. § How to go about systematically analyzing a company? § What is a Balance Sheet and a Profit and Loss Account Statement? What is the difference between Balance Sheet and Profit and Loss Account Statements of a company? **[1]**

Financial performance of the company and certain key financial parameters like Earning Per Share (EPS), P/E ratio, current size of equity etc. for arriving at the estimated future price. This is known as _______.

(a) Industry Analysis
(b) Corporate Analysis
(c) Financial Analysis
(d) Firm Analysis

Previously asked in: 2023 92 Q4 (vi)

◆ **Concepts & Modes of Analysis** Fundamental Analysis – EPS, P/E Ratio, and Estimated Future Price

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Model Answer

(b) Corporate Analysis

Wait — re-reading the passage: analyzing EPS, P/E ratio, and estimated future price is termed **Financial Analysis**.

Answer: (c) Financial Analysis

Explanation

The source passage explicitly states: "look at the financial performance of the company and certain key financial parameters like Earnings Per Share (EPS), P/E ratio, current size of equity etc. for arriving at the estimated future price. This is termed as **Financial Analysis**." Students must not confuse it with Corporate Analysis (which covers managerial capabilities, past performance vs competitors) or Industry Analysis (which covers sector-level factors).

Q3. § How to go about systematically analyzing a company? **[2]**

"National Hydroelectric Power Company (NHPC) Ltd., National Thermal Power Company (NTPC) Ltd., Tata Power Company (TPC) Ltd. etc. belong to the Power Sector/Industry of India." What does Industry Analysis mean?

Previously asked in: 2023 92 Q14

◆ **Concepts & Modes of Analysis** Industry Analysis

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Model Answer

Industry Analysis means studying the performance and prospects of the industry/sector to which a company belongs. Companies producing similar products form a part of one industry. Analysts examine the effect of government policy, future demand, and changes in business environment (e.g., rupee devaluation benefiting export-oriented companies) on the industry's outlook.

Source: Chapter 9, Industry Analysis

Explanation

- The examiner wants the **definition** of Industry Analysis and its **key components** (government policy, future demand, business environment changes).
- Use the example from the passage (NHPC, NTPC, TPC → Power Sector) only if needed for context; here the question already states it, so focus on the meaning.
- Do not confuse Industry Analysis with Corporate or Financial Analysis — all three are distinct steps in company analysis.

Q4. § What is an Annual Report? **[4]**

Companies publish annual reports and send abridged versions to shareholders free of cost. An annual report of a company is the best source of information about the financial health of a company. In the light of this statement, describe an annual report and its features.

Previously asked in: 2023 92 Q21

◆ **Concepts & Modes of Analysis** | Annual Report – Description and Features

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Model Answer

Annual Report:
An annual report is a formal financial statement issued yearly by a company. It shows assets, liabilities, revenues, expenses, and earnings — how the company stood at the close of the business year and how it fared profit-wise. Abridged versions are sent to shareholders free of cost; a detailed report is available on request. It is the best source of information about a company's financial health.

Key Features to Read Carefully:

1. **Director's Report and Chairman's Statement** — relates to current and future operational performance.
2. **Auditors' Report** — including annexure to the auditors' report.
3. **Profit and Loss Account** — shows financial performance over the accounting year.
4. **Balance Sheet** — shows the company's financial position at a particular point of time.
5. **Notes to Accounts** — attached to the Balance Sheet.

Source: Chapter 9 — Introduction to Financial Markets

Explanation

- The question has two parts: **define** annual report + **describe its features**. Split your answer accordingly to capture all marks.
- Examiners expect all 5 features listed in the textbook; missing any one may cost a mark.
- Keep the definition concise (1–2 sentences) and list features as numbered points — this format is clear and saves time in the exam.
- "Best source of financial health" is a key phrase from the textbook; including it shows precise recall.

Q5. § What is a Balance Sheet and a Profit and Loss Account Statement? What is the difference between Balance Sheet and Profit and Loss Account Statements of a company? § How is balance sheet summarized? **[2]**

List two 'applications of funds' and two sources of funds.

Previously asked in: 2025 92 Q15

◆ **Concepts & Modes of Analysis** | Applications (Uses) of Funds | Balance Sheet - Liabilities Side | Sources of Funds

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Model Answer

Applications of Funds (uses):

1. Fixed Assets (purchase of machinery, land, buildings, etc.)
2. Investments (long-term investments made by the firm)

Sources of Funds:

1. Shareholders' Funds (Share Capital contributed by owners)
2. Secured/Unsecured Loans (borrowed funds from creditors/financial institutions)

Explanation

In Fund Flow analysis, **sources of funds** are inflows (liabilities side of Balance Sheet — share capital, loans, reserves) and **applications/uses of funds** are outflows (assets side — fixed assets, investments). The Balance Sheet visual in the question directly shows these heads. Examiners expect you to name specific items from the Balance Sheet, not vague terms. Pairing one from each side is sufficient for 1 mark each.

Q6. § What is a Balance Sheet and a Profit and Loss Account Statement? What is the difference between Balance Sheet and Profit and Loss Account Statements of a company? § What are Current Liabilities and Provisions and Net Current Assets in the balance sheet? § How is balance sheet summarized? **[2]**

What items are included in the liability section of a company's balance sheet ?

Previously asked in: 2026 92 Q15

◆ **Concepts & Modes of Analysis** | Balance Sheet - Liabilities Side

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Model Answer

The liability section of a company's balance sheet includes the following items:

1. **Share Capital** – funds raised by issuing shares.
2. **Reserves and Surplus** – retained earnings and accumulated reserves.
3. **Secured Loans** – borrowings backed by assets as collateral.
4. **Unsecured Loans** – borrowings without collateral.
5. **Current Liabilities and Provisions** – amounts due to creditors, advances received, accrued expenses, and provisions for tax, dividend, etc.

Source: Chapter 9, Balance Sheet: Account Form

Explanation

The examiner expects students to list the heads from the liability side of the balance sheet as given in the Account Form. For 2 marks, naming and briefly describing 4–5 items is sufficient. Avoid writing lengthy descriptions; one-line explanations per item are enough.

Q7. **[2]**

"Reduced inequalities is one of our sustainable goals". State the methods used to reduce inequalities.

Previously asked in: 2026 92 Q10

◆ Concepts & Modes of Analysis | Sustainable Development Goals - Reduced Inequalities

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Model Answer

"Reduced Inequalities" is SDG Goal 10. Methods used to reduce inequalities include:

1. **Progressive taxation** – taxing higher incomes at higher rates to redistribute wealth.
2. **Social welfare schemes** – providing subsidies, healthcare, and education to the poor.
3. **Equal opportunity policies** – ensuring fair wages and employment for all sections of society.
4. **Financial inclusion** – giving access to banking and credit to marginalised groups.

Explanation

The source passages provided are from a Financial Markets chapter and do not contain content related to "Reduced Inequalities" (SDG 10). However, this topic comes from **Economics – Chapter: Development** (Class 10 NCERT). The examiner expects students to list 2–3 clear methods (each as a point) for 2 marks. One mark is typically awarded per valid method mentioned. Avoid writing lengthy explanations; brief, labelled points are sufficient.

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