CBSE CLASS X

Introduction to Financial Markets (405)

QUESTION PAPER

From previous CBSE Board Exam questions

Code: PP8B89 **Questions: 6** **Maximum Marks: 6** **Generated: 2026-06-15 13:05**

SELECTIONS USED

Source	Previous-year board
Subject	Financial Market Management
Lessons	Derivatives
Year	2023-2026
Questions selected	6

Composition — Types: 5 MCQ · 1 Very short

Q1. § What is Commodity Derivatives Market? **[1]**

A farmer agrees to sell his produce of wheat to a Miller, 6 months later when his crop is ready, he sells his wheat produce at a price that is agreed upon today by both the parties. Identify the type of contract.

Previously asked in: 2025 92 Q2 (v)

◆ **Derivatives** Forward Contract

Q2. § What are Types of Derivatives? § What is Commodity Derivatives Market? § What is the difference between Commodity and Financial derivatives? **[1]**

Which of the following is a characteristic of future contracts ?

(A) They are traded over-the counter.
(B) They are standardised and traded on exchanges.
(C) They are customized to meet the needs of individual buyers and sellers.
(D) They carry a high degree of counterparty risk.

Previously asked in: 2026 92 Q2 (v)

◆ **Derivatives** Future Contracts - Characteristics

Q3. § What is an 'Option Premium'? **[1]**

A buyer of an option pays for the right to exercise his option. Identify term used for this.

Previously asked in: 2023 92 Q3 (v)

◆ **Derivatives** Option Premium

Q4. § What is Commodity Derivatives Market? **[1]**

Commodity derivatives market trade contracts for which the underlying asset is _______.

(a) Interest
(b) Currency
(c) Stock
(d) Commodity

Previously asked in: 2023 92 Q2 (v)

◆ **Derivatives** Commodity Derivatives Market

Q5. § What is Commodity Derivatives Market? **[1]**

Commodity derivatives market trade contracts for which the underlying asset is ___________.

(A) Index
(B) Currency
(C) Stock
(D) Commodity

Previously asked in: 2025 92 Q3 (v)

◆ **Derivatives** Commodity Derivatives Market

Q6. § What is Commodity Derivatives Market? **[1]**

What is the role of the commodity derivatives market ?

(A) Facilitating buying and selling in spot market.
(B) Providing logistic services and other facilities.
(C) Assists, regulates, or controls the business of buying, selling or dealing only in commodity derivatives.
(D) Promoting over-the counter markets.

Previously asked in: 2026 92 Q3 (v)

◆ **Derivatives** Role of Commodity Derivatives Market

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CBSE CLASS X

Introduction to Financial Markets (405)

ANSWER KEY

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Q1. § What is Commodity Derivatives Market? **[1]**

A farmer agrees to sell his produce of wheat to a Miller, 6 months later when his crop is ready, he sells his wheat produce at a price that is agreed upon today by both the parties. Identify the type of contract.

Previously asked in: 2025 92 Q2 (v)

◆ **Derivatives** Forward Contract

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Model Answer

This is a **Forward Contract** — a customized contract between two parties (farmer and miller) to sell wheat at a price agreed today, with settlement at a future date.

Explanation

The key features here are: customized agreement, two specific parties, future settlement, and price fixed today — all defining characteristics of a **forward contract**. It is not a futures contract because futures are standardized and exchange-traded, which is not the case here.

Q2. § What are Types of Derivatives? § What is Commodity Derivatives Market? § What is the difference between Commodity and Financial derivatives? **[1]**

Which of the following is a characteristic of future contracts ?

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Previously asked in: 2026 92 Q2 (v)

◆ **Derivatives** Future Contracts - Characteristics

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Model Answer

(B) They are standardised and traded on exchanges.

Futures contracts are special types of forward contracts that are **standardised exchange-traded contracts**, unlike forwards which are customized.

Source: Types of Derivatives, Chapter 5

Explanation

The key distinction examiners test here is **futures vs. forwards**:

- Forwards → customized, OTC, higher counterparty risk (Options A, C, D describe forwards/OTC instruments).
- Futures → standardised, exchange-traded, lower counterparty risk (because the exchange acts as counterparty/clearinghouse).

Always remember: *"Futures contracts are standardized exchange-traded contracts"* — this exact phrase from the textbook is the basis for the correct answer.

Q3. § What is an 'Option Premium'? **[1]**

A buyer of an option pays for the right to exercise his option. Identify term used for this.

Previously asked in: 2023 92 Q3 (v)

◆ **Derivatives** Option Premium

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Model Answer

The term used is **Option Premium**. It is the price paid by the option buyer to the option seller for acquiring the right to buy or sell.

Source: What is an 'Option Premium'?, Chapter 5

Explanation

The examiner expects you to name the term (**Option Premium**) and give a brief one-line definition. Since it is 1 mark, just the term alone may suffice, but adding a short definition ensures full credit.

Q4. § What is Commodity Derivatives Market? **[1]**

Commodity derivatives market trade contracts for which the underlying asset is _______.

(a) Interest
(b) Currency
(c) Stock
(d) Commodity

Previously asked in: 2023 92 Q2 (v)

◆ **Derivatives** Commodity Derivatives Market

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Model Answer

(d) Commodity

Commodity derivatives market trade contracts for which the underlying asset is **commodity**, such as agricultural goods (wheat, cotton) or precious metals (gold, silver).

Source: What is Commodity Derivatives Market?, Chapter 5

Explanation

This is a direct definition-based MCQ. The passage explicitly states "commodity derivatives market trade contracts for which the underlying asset is commodity." The other options (interest, currency, stock) are underlying assets for **financial** derivatives, not commodity derivatives. Always remember this distinction for exam purposes.

Q5. § What is Commodity Derivatives Market? **[1]**

Commodity derivatives market trade contracts for which the underlying asset is ___________.

(A) Index
(B) Currency
(C) Stock
(D) Commodity

Previously asked in: 2025 92 Q3 (v)

◆ **Derivatives** Commodity Derivatives Market

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Model Answer

(D) Commodity — Commodity derivatives market trades contracts for which the underlying asset is a commodity, such as agricultural products (wheat, cotton) or precious metals (gold, silver).

Source: Chapter 5, What is Commodity Derivatives Market?

Explanation

This is a direct definition-based MCQ. The passage explicitly states "Commodity derivatives market trade contracts for which the underlying asset is commodity." Options A (Index), B (Currency), and C (Stock) are underlyings for **financial** derivatives, not commodity derivatives. Always remember this key distinction.

Q6. § What is Commodity Derivatives Market? **[1]**

What is the role of the commodity derivatives market ?

(A) Facilitating buying and selling in spot market.
(B) Providing logistic services and other facilities.
(C) Assists, regulates, or controls the business of buying, selling or dealing only in commodity derivatives.
(D) Promoting over-the counter markets.

Previously asked in: 2026 92 Q3 (v)

◆ **Derivatives** Role of Commodity Derivatives Market

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Model Answer

(C) Assists, regulates, or controls the business of buying, selling or dealing only in commodity derivatives.

Explanation

The commodity derivatives market specifically deals with contracts whose underlying asset is a commodity (agricultural or precious metals). Option (C) correctly captures its regulatory and facilitative role limited to commodity derivatives, distinguishing it from spot markets, logistics, or OTC markets.

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