CBSE CLASS X

Introduction to Financial Markets (405)

ANSWER KEY

From previous CBSE Board Exam questions

Code: V7MHDI	Questions: 29	Maximum Marks: 45	Generated: 2026-06-15 13:05

SELECTIONS USED

Source	Previous-year board
Subject	Financial Market Management
Lessons	Secondary Market
Year	2023-2026
Questions selected	29

Composition — Types: 10 Short · 9 MCQ · 2 Long · 1 fill_in_blank · 1 Very short · 1 Case-based

Q1. § INVESTMENT BASICS **[1]**

Statement-1 : A company's market capitalization can provide insight into a stock's risk factor.
Statement-2 : Larger companies tend to be more established and have stocks with high volatility.

(A) Statement 1 is true, but statement 2 is false.
(B) Both statements are true.
(C) Both statements are false.
(D) Statement 1 is false, but statement 2 is true.

Previously asked in: 2026 92 Q4 (ii)

◆ **Investment Basics** Market Capitalisation

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Model Answer

(A) Statement 1 is true, but Statement 2 is false.

Statement 1 is correct — market capitalisation indicates a stock's risk level. Statement 2 is false — larger, more established companies tend to have stocks with **low** volatility, not high.

Explanation

The key distinction here is that larger companies (large-cap) are considered more stable and **less volatile**. Small-cap companies carry higher volatility and risk. Statement 2 incorrectly states "high volatility" for larger companies — this reversal is the trap in this question. Examiners test whether students know that market cap is inversely related to volatility/risk.

Q2. § What is meant by Interest? **[1]**

When we borrow money, we are expected to pay for using it – this is known as __________. (Gain / Interest / Profit)

Previously asked in: 2025 92 Q4 (i)

◆ Investment Basics | 4.2.2 Debt Investment

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Model Answer

When we borrow money, we are expected to pay for using it – this is known as **Interest**.

Source: What is meant by Interest?, Chapter 1

Explanation

The answer is directly stated in the passage: "When we borrow money, we are expected to pay for using it - this is known as Interest." 'Gain' and 'Profit' are incorrect as they relate to earnings from business/investment, not the cost of borrowing.

Q3. § 2.1 Regulator **[1]**

Read the following statements Assertion (A) and Reason (R) and choose the correct option from those given below :
Assertion (A) : Equity shareholders are supposed to be the owners of the company.
Reason (R) : Equity shareholders have a right to vote in the Annual General Meeting for passing any resolution.
Options :

(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: 2025 92 Q4 (vi)

◆ Securities | 4.2.1 Equity Investment

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Model Answer

(A) Both (A) and (R) are true and (R) is the correct explanation of (A).

Equity shareholders are owners of the company, and their voting rights in the AGM to pass resolutions is precisely what establishes this ownership status.

Explanation

The right to vote in the AGM is the key feature that distinguishes equity shareholders as owners — they can influence company decisions. This voting right directly explains *why* they are considered owners, making (R) the correct explanation of (A). Examiners expect students to identify the logical link between the assertion and reason, not just whether both are true.

Q4. **[2]**

What does maturity of a 'Bond' refer to ?

Previously asked in: 2025 92 Q12

◆ **Securities** 4.2.2 Debt Investment

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Model Answer

Maturity of a bond refers to the date on which the bond's life ends and the issuer repays the principal (face value) amount to the bondholder. It is the predetermined date when the loan agreement between the issuer and the investor expires and the final payment is made.

Explanation

- Examiners expect two key points: (1) it is a **specific date/period** and (2) the **principal is repaid** on that date.
- Avoid confusing maturity with interest payment (coupon) — maturity is specifically about repayment of the original borrowed amount.
- Keep the answer factual and direct; no examples are needed for 2 marks.

Q5. § 2.2 Participants **[2]**

XYZ Ltd. is a mid-sized manufacturing company seeking to raise funds for operational expansion. The company is considering issuing debt instruments to acquire the necessary capital. Their financial advisor has recommended the option of issuing debentures or commercial paper.
In the context of paragraph, what is a debenture ?

Previously asked in: 2026 92 Q12

◆ **Securities** 4.2.2 Debt Investment

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Model Answer

A **debenture** is a debt instrument issued by a company to raise funds from the public. It is a marketable security through which the issuer (company) borrows money from investors and promises to repay the principal along with interest. Debentures are listed under 'Securities' as per the SCRA, 1956.

Source: What is the function of Securities Market?, Chapter 2

Explanation

- The passage mentions debentures as instruments traded in the securities market where buyers and sellers transact.
- SCRA, 1956 classifies debentures under "securities," which is the legal basis for the definition.
- For a 2-mark answer, mention: (1) it is a debt instrument, and (2) it is issued by a company to raise funds/capital. Mentioning the SCRA reference adds precision and earns full marks.

Q6. § 4.1 Introduction § 4.2 Products in the Secondary Markets § 4.2.1 Equity Investment **[1]**

How can we find Market Capitalisation of a company?

Previously asked in: 2023 92 Q3 (iii)

◆ **Secondary Market** Market Capitalisation

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Model Answer

Market Capitalisation = Current Market Price of one share × Total number of shares issued (outstanding) by the company.

Explanation

This is a direct 1-mark definition/formula question. Examiners expect the formula with both components clearly stated. No elaboration needed.

Q7. § 4.1 Introduction **[1]**

"The market which deals in securities previously issued" is called

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

Previously asked in: 2023 92 Q3 (ii)

◆ **Secondary Market** Definition of Secondary Market

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Model Answer

(c) Secondary Market

The market which deals in securities previously issued (already existing/pre-issued) is called the **Secondary Market**.

Source: Chapter 4, Section 4.1 Introduction

Explanation

The key phrase is "previously issued" — this directly points to the Secondary Market, where already-issued securities are traded among investors. The Primary Market is where securities are issued for the *first time* to raise capital. Examiners expect you to simply identify the correct option; no further explanation is needed for a 1-mark MCQ.

Q8. § 4.1 Introduction § 4.1.1 Stock Exchange § 4.2 Products in the Secondary Markets **[1]**

It is entrusted with responsibility of regulating and developing the securities market. It formulates regulations and guidelines to govern various market participants, such as brokers, stock exchanges and listed companies to promote fair and transparent practices. Who is this market participant and what is the name of this entity ?

Previously asked in: 2025 92 Q3 (ii)

◆ **Secondary Market** 4.1.1 Stock Exchange

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Model Answer

The market participant described is a **Regulator**. The entity is **SEBI (Securities and Exchange Board of India)**, which regulates and develops the securities market and governs brokers, stock exchanges, and listed companies.

Explanation

The question describes the role of SEBI. Examiners expect students to identify both: (1) the type of market participant — *regulator*, and (2) the full name — *Securities and Exchange Board of India (SEBI)*. Both parts are needed for full credit.

Q9. § 4.1 Introduction § 4.1.1 Stock Exchange § 4.2 Products in the Secondary Markets **[1]**

What does it mean to have securities listed on the stock exchange ?

Previously asked in: 2026 92 Q3 (iii)

◆ **Secondary Market** 4.1.1 Stock Exchange

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Model Answer

Having securities listed on a stock exchange means those securities are approved for trading on that exchange, allowing buyers and sellers to transact in them through the exchange's trading platform.

Source: Secondary market, Chapter 4

Explanation

The examiner expects a simple, direct one-line definition linking "listed" to the ability to be traded on the stock exchange. The key idea is that listing = approval to be traded on the exchange's platform.

Q10. § 4.1.1 Stock Exchange § 4.1.2 Stock Trading **[1]**

The trading system of NSE is called:

(a) BOLT
(b) NEAT
(c) ODIN
(d) FTEC

Previously asked in: 2023 92 Q3 (iv)

◆ **Secondary Market** 4.1.2 Stock Trading

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Model Answer

(b) NEAT

NSE's trading system is called **NEAT** — National Exchange for Automated Trading. It is a state-of-the-art, client server based, fully-automated screen based trading system.

Explanation

The passage explicitly states: *"Its trading system, called National Exchange for Automated Trading (NEAT)..."* BOLT is the BSE trading system. Examiners expect you to know the full form as well, since it may appear as a 1-mark or 2-mark question.

Q11. § 4.1 Introduction **[4]**

Rohan, a diligent investor, strategically purchases 100 shares of Titan Ltd. through a reputable broker on a stock exchange. Once the trade is executed, the broker promptly issues a detailed contract note to Rohan, documenting the transaction and serving as confirmation of his investment.

Answer the following sub-parts based on the given scenario.

(1) What is the purpose of a contract note in the secondary market ? [2]

(2) How does a contract note contribute to transparency and accountability in the secondary market ? [2]

Previously asked in: 2026 92 Q18

◆ **Secondary Market** 4.1.2 Stock Trading

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Model Answer

(1) Purpose of a Contract Note in the Secondary Market:

A contract note is a written confirmation issued by a broker to the investor after a trade is executed on a stock exchange. It serves as a **legal document** that records the details of the transaction — such as the number of shares bought/sold, price, date, and brokerage charges. It acts as proof of the transaction between the broker and the investor.

(2) Contribution to Transparency and Accountability:

A contract note ensures **transparency** by providing the investor with complete details of the trade, leaving no room for manipulation or hidden charges. It promotes **accountability** as the broker is legally bound by the terms stated in it. In case of any dispute, the contract note serves as legal evidence, protecting the investor's interests.

Source: Financial Markets, Secondary Market (Stock Exchange)

Explanation

- Examiners expect students to define contract note first, then explain its purpose clearly.
- For Part (2), the key terms to mention are **transparency**, **accountability**, and **legal evidence/proof** — these fetch marks directly.
- Avoid writing vague lines; be specific about *what details* the contract note contains.
- Each sub-part is 2 marks, so 2 clear points per sub-part are sufficient.

Q12.

Pay-out

Previously asked in: 2023 92 Q15 (b)

◆ **Secondary Market** Pay-out

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Model Answer

Pay-out refers to the process by which the stock exchange makes payment of funds and delivery of securities to the trading members (brokers) after a trade is settled. Investors should ensure they receive payments/deliveries from their broker within **one working day of the payout date**.

Source: Stock Trading, Chapter 4

Explanation

- The examiner expects a short definition (1–2 marks) focusing on what payout means in the context of stock market settlement.
- Key point to mention: it involves both **funds and securities** being transferred, and the **one working day** timeframe is a specific detail examiners look for.
- Do not confuse pay-out with pay-in; pay-in is when the investor delivers funds/securities to the broker, while pay-out is when the broker delivers back to the investor after settlement.

Q13. § 4.2.2. Debt Investment **[4]**

"A contract note is a confirmation of trade on a particular day issued for and, on behalf of, a client by a registered broker of a stock exchange." Explain information required to be mentioned on the contract note issued by the stock broker.

Previously asked in: 2023 92 Q18

◆ Secondary Market 4.1.2 Stock Trading

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Model Answer

A broker must issue a contract note to clients for all transactions in the prescribed form. The contract note must mention the following details:

1. **Broker's details** — Name, address, SEBI Registration Number, dealing office address, telephone/fax number, and code number given by the Exchange.
2. **Trade details** — Contract number, date of issue, settlement number, order number, order time, trade number, trade time, and time period for settlement.
3. **Client details** — Name and code number of the client.
4. **Transaction details** — Quantity and kind of security bought/sold, brokerage charged, purchase/sale rate.
5. **Taxes and charges** — Service tax rates, Securities Transaction Tax, and any other charges levied.
6. **Stamp duty** — Requisite stamps affixed or mention of consolidated stamp duty paid.
7. **Signature** — Of the authorized signatory of the stock broker.

Source: Chapter 4, Section 4.1.2 – Stock Trading

Explanation

- The examiner expects you to list the key items on a contract note — don't just describe what a contract note is (that's given in the question itself).
- Since it is 4 marks, 6–7 crisp points are ideal. Avoid vague language; use the exact terminology from the textbook (e.g., "Securities Transaction Tax," "SEBI Registration Number").
- Grouping details under bold headings (Broker's details, Trade details, etc.) makes your answer organized and easy to award marks.

Q14. § 4.1.1 Stock Exchange **[1]**

Stock exchanges facilitate opportunities for investors to engage in the buying and selling of securities. Identify the pertinent function of a stock exchange.

(A) Price Rigidity
(B) Providing liquidity and marketability for existing securities
(C) Determining the pricing of securities
(D) Promoting the culture of equity investment

Previously asked in: 2026 92 Q2 (iv)

◆ **Secondary Market** 4.1.1 Stock Exchange 4.1.2 Stock Trading

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Model Answer

(B) Providing liquidity and marketability for existing securities

Stock exchanges provide a trading platform where buyers and sellers meet to transact in securities, ensuring existing securities can be easily bought and sold.

Source: Chapter 4, Section 4.1.1 Stock Exchange

Explanation

- Option (B) is correct because the core function described — a platform for buying and selling already-issued securities — directly corresponds to providing **liquidity and marketability**.
- Option (C) (pricing/price discovery) is a *separate* function; the question specifically links to the *buying and selling* activity.
- Option (A) Price Rigidity is not a stock exchange function at all — exchanges actually enable *flexible* price discovery.
- Option (D) Promoting equity culture is a broader objective, not the specific function being described here.
- Remember: **liquidity** = ease of converting securities to cash; **marketability** = ease of buying/selling — both are enabled by the trading platform a stock exchange provides.

Q15. § 4.1 Introduction | § 4.1.1 Stock Exchange | § 4.2 Products in the Secondary Markets **[1]**

Statement-I : On account of non-delivery of securities by the trading member on the pay-in day, the securities are put up for auction by the exchange.
Statement-II : The exchange purchases the requisite quantity in auction market and gives them to the buying trading member.

(A) Statement-I is true, but Statement-II is false.
(B) Statement-I is false; but Statement-II is true.
(C) Both Statement-I and Statement-II are false.
(D) Both Statement-I and Statement-II are true.

Previously asked in: 2025 92 Q5 (v)

◆ **Secondary Market** | 4.1.2 Stock Trading

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Model Answer

(D) Both Statement-I and Statement-II are true.

When a trading member fails to deliver securities on the pay-in day, the exchange puts the securities up for auction, purchases the required quantity, and delivers them to the buying trading member.

Explanation

Both statements correctly describe the auction process used by stock exchanges to handle delivery defaults. Statement-I describes the trigger (non-delivery on pay-in day) and Statement-II describes the exchange's remedial action (buying in auction and giving securities to the buyer). Examiners expect students to know this settlement mechanism.

Q16. § 4.1.1 Stock Exchange **[4]**

Stock Exchange market is a vital component of a capital market. It facilitates the transaction between traders of financial instruments and targeted buyers. A stock exchange in India adheres to set of rules and regulations directed by Securities and Exchange Board of India or SEBI. The said authorised body functions to protect the interest of investors and aims to promote the stock market of India. In the view of this para, what do you mean by stock exchange ? What are the roles of stock exchange in securities market ?

Previously asked in: 2025 92 Q18

◆ Secondary Market | 4.1.1 Stock Exchange | 4.1.2 Stock Trading

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Model Answer

Stock Exchange: A stock exchange is a platform where buyers and sellers meet to transact in securities. In India, stock exchanges operate under the supervision of SEBI (Securities and Exchange Board of India), which protects investor interests and promotes the stock market.

Roles of Stock Exchange in Securities Market:

1. **Trading Platform:** Stock exchanges provide an electronic trading platform (e.g., NSE) where buyers and sellers transact in securities without meeting physically.
1. **Secondary Market Operations:** They enable trading of already-issued securities, providing investors an efficient platform to buy and sell.
1. **Price Discovery:** They help aggregate information and determine fair market prices of securities.
1. **Investor Protection:** Trading on a recognized stock exchange provides investors protection through the Investor Protection Fund and grievance redressal mechanisms.
1. **Transparency & Efficiency:** Screen-based trading systems like NEAT ensure automated, transparent, and efficient transactions with minimum response time.

Source: Chapter 4, Sections 4.1 and 4.1.1

Explanation

- The question carries 4 marks, so 2 marks are typically for defining stock exchange and 2 marks for roles (2–3 points).
- Examiners expect the SEBI connection to be mentioned in the definition.
- Name at least 3–4 distinct roles; avoid repeating the same idea differently.
- Keywords like "NEAT," "electronic trading," "price discovery," and "Investor Protection Fund" fetch marks.
- Do not write more than 4–5 bullet points for roles — keep each point concise (one line).

Q17. **[2]**

Write the steps to create new folder.

Previously asked in: 2023 92 Q8

◆ **Secondary Market** | Steps to Create a New Folder

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Model Answer

Steps to create a new folder:

1. Right-click on the desktop or inside any drive/folder where you want to create the new folder.
2. A shortcut menu appears. Click on **New**, then select **Folder**.
3. A new folder is created with the default name "New Folder."
4. Type the desired name for the folder and press **Enter**.

Explanation

The source passages provided are from a Financial Markets textbook and do not contain information about creating a new folder (a basic computer/IT topic). The answer above is the standard CBSE Class 10 IT/Computer Science expected answer for this question. Examiners look for a clear, stepwise response covering right-click → New → Folder → rename. Keep steps numbered and concise for full marks.

Q18. § 4.1 Introduction **[1]**

Secondary market comprises of _________ and the _________.

(A) Equity market, Debt markets
(B) Equity market, Commodity markets
(C) Debt markets, Commodity markets
(D) Currency market, Equity markets

Previously asked in: 2025 92 Q5 (iii)

◆ **Secondary Market** | 4.2 Products in the Secondary Markets

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Model Answer

(A) Equity market, Debt markets

Secondary market comprises of **equity markets** and the **debt markets**.

Source: Chapter 4, Section 4.1 Introduction

Explanation

The passage directly states: *"Secondary market comprises of equity markets and the debt markets."* This is a direct recall question. Option (A) is the exact match. Do not confuse with commodity markets or currency markets, which are not mentioned in this context.

Q19. § 4.2 Products in the Secondary Markets | § 4.2.1 Equity Investment **[2]**

Explain the following : Aim of Investor Protection Fund

Previously asked in: 2026 92 Q19 (a)

◆ **Secondary Market** | Investor Protection Fund

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Model Answer

Investor Protection Fund (IPF):
The Investor Protection Fund is established by stock exchanges to compensate investors in case a trading member (broker) defaults in making payment or delivering securities to the investor. Its aim is to protect small investors from financial losses caused by broker default, thereby maintaining investor confidence in the securities market.

Explanation

- The key points examiners expect: **who it protects** (investors/small investors), **against what** (broker/trading member default — non-payment or non-delivery of securities), and **purpose** (maintain confidence in the market).
- Even though the source passages don't elaborate on IPF in detail, this is a standard NCERT/SEBI-prescribed concept from Chapter 4 of the Financial Markets textbook.
- Do not confuse IPF with SEBI's investor education initiatives — IPF specifically deals with **compensation on broker default**.
- For 2 marks, one clear definition + one aim/purpose sentence is sufficient.

Q20. § 4.2.1 Equity Investment **[2]**

"Equities have the potential to increase in value over time". What are the benefits of investing in equities or shares? (any two)

Previously asked in: 2023 92 Q12

◆ **Secondary Market** 4.2.1 Equity Investment

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Model Answer

Two benefits of investing in equities/shares are:

1. **High Returns:** Equities are the most rewarding investment option when held over a long duration. The Indian stock market (Nifty index) has given an average return of about **16% per annum** in terms of capital appreciation over the last fifteen years.
1. **Dividend Income:** Besides capital appreciation, stocks have also paid an average dividend of **1.5% annually**, providing an additional source of income to shareholders.

Source: Chapter 4, Section 4.2.1 — Equity Investment

Explanation

- The question asks for **any two** benefits, so pick the two most clearly stated ones from the passage — high returns (16% average) and dividend income (1.5%) are the most specific and examinable points.
- Mentioning the **Nifty benchmark** and the **16%/1.5% figures** adds precision and can help secure full marks.
- Avoid writing about risks here — the question is only about benefits.

Q21. § 4.2.1 Equity Investment **[2]**

Explain the following : Types of return received by investor in equities

Previously asked in: 2025 92 Q20 (b)

◆ **Secondary Market** 4.2.1 Equity Investment

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Model Answer

An investor in equities receives **two types of returns**:

1. **Capital Appreciation** – The increase in the market price of the share over time. For example, the Nifty index has given approximately **16% annual return** on average over the last fifteen years.
1. **Dividend** – A portion of the company's profits distributed to shareholders. On average, stocks have paid about **1.5% dividend** annually.

Source: Chapter 4, Section 4.2.1

Explanation

- Examiners expect both types to be named and briefly explained — just naming them without explanation will likely fetch only 1 mark.
- Quoting the approximate figures (16% capital appreciation, 1.5% dividend) adds precision and shows textbook knowledge, but is not compulsory.
- Keep it concise — this is a 2-mark answer, so one line per type is sufficient.

Q22. § 4.2.2. Debt Investment **[1]**

Statement-1 : The debt includes various instruments that enable the buying and selling of loans in exchange for interest.
Statement-2 : Debt funds typically offer lower returns compared to equity investments.

(A) Statement 1 is true, but statement 2 is false.
(B) Statement 1 is false, but statement 2 is true.
(C) Both statements are false.
(D) Both statements are true.

Previously asked in: 2026 92 Q2 (vi)

◆ **Secondary Market** 4.2.2 Debt Investment

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Model Answer

(D) Both statements are true.

Statement 1 is true — debt instruments represent contracts for lending/borrowing money in exchange for interest. Statement 2 is true — equity returns (~16% avg.) outperform debt, so debt offers lower returns.

Explanation

The passage states equity returns have averaged ~16% annually, described as "most rewarding compared to other investment options." Debt instruments involve fixed interest payments, confirming lower but stable returns. Both statements align with the source material.

Q23. **[2]**

What does 'Listing agreement' mean? (Part of: Answer any 4 out of given 6 questions in 20-30 words each.)

Previously asked in: 2023 92 Q11

◆ Secondary Market | 4.1 Introduction

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Model Answer

A **Listing Agreement** is a legal contract between a company and a stock exchange when the company's securities are listed (admitted for trading) on that exchange. It specifies the terms, conditions, and obligations the company must fulfil, such as disclosure norms and compliance requirements, to maintain its listing status.

Source: Chapter 4, Stock Exchange section

Explanation

The source passages do not define "Listing Agreement" explicitly, but this term is a standard part of the CBSE Class 10 NISM curriculum on stock exchanges. Examiners expect you to mention: (1) it is an agreement between a company and the stock exchange, (2) it governs the conditions for listing securities, and (3) it includes disclosure and compliance obligations. Keep it to 2–3 sentences for 2 marks.

Q24. **[2]**

What do you mean by "files" and "folders" in computer system ?

Previously asked in: 2025 92 Q8

◆ Secondary Market | 4.1 Introduction

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Model Answer

File: A file is a collection of related data or information stored under a single name on a computer's storage device. For example, a document, image, or music track saved on a computer is a file.

Folder: A folder (also called a directory) is a container used to organise and store multiple files or other folders. It helps in managing files systematically. For example, a folder named "School" may contain files like notes and assignments.

Explanation

The source passages provided are unrelated to this question (they cover financial markets). However, the concept of files and folders is standard Class 10 IT/Computer Science content. Examiners expect: a clear one-line definition of each term with a simple example. Two marks = one point each for file and folder, with examples. Avoid writing lengthy paragraphs; concise definitions with examples are sufficient.

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