CBSE CLASS X

Introduction to Financial Markets (405)

ANSWER KEY

From previous CBSE Board Exam questions

Code: ZQF4JH	Questions: 37	Maximum Marks: 48	Generated: 2026-06-15 12:52

SELECTIONS USED

Source	Previous-year board
Subject	Financial Market Management
Lessons	Investment Basics
Year	2023-2026
Questions selected	37

Composition — Types: 22 MCQ · 7 Short · 7 Very short · 2 fill_in_blank · 1 Long · 1 Case-based · 1 Assertion–reason

Q1. § INVESTMENT BASICS § When to start Investing? § What care should one take while investing? **[2]**

Discuss role of entrepreneur in the society.

Previously asked in: 2023 92 Q9

◆ **Investment Basics** Role of Entrepreneur in Society

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Model Answer

An entrepreneur plays a vital role in society by:

1. **Creating employment** — generates job opportunities for others, reducing unemployment.
2. **Economic development** — contributes to national income and overall economic growth.
3. **Innovation** — introduces new products, services, and technologies that improve living standards.
4. **Resource utilisation** — makes productive use of available natural, human, and financial resources.

Explanation

The source passages provided are about investment basics and do not directly cover the role of entrepreneurs. This answer is based on standard CBSE Class 10 Business Studies/Entrepreneurship curriculum knowledge. Examiners expect 2–3 clear, distinct points. Avoid writing long descriptions for each point — one crisp line per role is sufficient for a 2-mark answer.

Q2. § 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.

Q3. § INVESTMENT BASICS § What are various options available for investment? **[1]**

Give two examples of financial assets.

Previously asked in: 2023 92 Q4 (i)

◆ **Investment Basics** Financial Assets and their Examples

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Model Answer

Two examples of financial assets are: **fixed deposits with banks** and **shares/bonds/debentures** (securities market instruments).

Source: Investment Basics, "What are various options available for investment?"

Explanation

The question asks for any two financial assets from the given list. The passage clearly distinguishes physical assets (gold, real estate) from financial assets (FDs, shares, bonds, insurance, provident fund, etc.). Mention any two from the financial assets list — one mark is awarded for both correct examples together.

Q4. **[1]**

An acquired or natural capacity that enables you to perform a particular task with considerable proficiency is termed as ________.

(A) Interest
(B) Ability
(C) Weakness
(D) Hobby

Previously asked in: 2026 92 Q1 (iii)

◆ Investment Basics | Skill (as a component of Investment Basics / Personal Finance attributes)

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Model Answer

(B) Ability

An acquired or natural capacity that enables you to perform a particular task with considerable proficiency is termed as **Ability**.

Explanation

The key phrase here is "acquired or natural capacity to perform a task with proficiency" — this directly defines **Ability**. Interest refers to liking for something; Hobby is a leisure activity; Weakness is a limitation. Examiners expect you to identify the correct option and briefly justify it in 1-mark MCQs.

Q5. § When to start Investing? § What care should one take while investing? **[1]**

What is the primary function of an entrepreneur in society ?

(A) Avoid taking risks
(B) Discouraging others from starting business
(C) Creating myths about business
(D) Fostering innovation and economic growth

Previously asked in: 2026 92 Q1 (v)

◆ Investment Basics | Functions of an Entrepreneur | Role of Entrepreneur in Society

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Model Answer

(D) Fostering innovation and economic growth

Explanation

This is a straightforward MCQ. An entrepreneur drives economic progress by introducing new ideas, creating businesses, and generating employment — all of which foster innovation and economic growth. The other options describe negative or incorrect traits, not entrepreneurial functions.

Q6. § INVESTMENT BASICS § What care should one take while investing? § What are various options available for investment? **[1]**

List any two functions of an entrepreneur.

Previously asked in: 2023 92 Q2

◆ **Investment Basics** Functions of an Entrepreneur

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Model Answer

Two functions of an entrepreneur are: (i) **organising resources** (land, labour, capital) to start a business, and (ii) **bearing risks** of the enterprise to earn profit.

Explanation

This is a standard Business Studies / Economics concept question. Examiners expect two distinct, named functions — simply listing them with a brief phrase is sufficient for 1 mark. Common accepted answers include: organising production, taking initiative, innovating, risk-bearing, decision-making, and coordinating factors of production. Any two correct functions earn full marks. Note: the source passages provided are from a finance/investment unit and do not cover entrepreneurship, so this answer is based on standard CBSE Class 10 syllabus knowledge of entrepreneurs.

Q7. § INVESTMENT BASICS § What is Investment? § What are various options available for investment? **[1]**

Investment in precious metal is a type of __________ class.

(A) Monetary Assets
(B) Real Assets
(C) Financial Assets
(D) Liquid Assets

Previously asked in: 2026 92 Q4 (i)

◆ **Investment Basics** Asset Classes of Investment

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Model Answer

(B) Real Assets — Investment in precious metals (like gold/jewellery) is a type of **Real Assets** class, as it involves physical assets.

Explanation

The passage states that physical assets include gold/jewellery, real estate, commodities etc. "Real Assets" refers to tangible/physical investments, distinguishing them from financial assets (shares, bonds, deposits). Examiners expect you to recall this classification directly.

Q8. § What is an 'Equity'/Share? **[1]**

__________ is a percentage of the face value of a share that a company returns to its shareholders from its annual profit.

(A) Dividends
(B) Capital gain
(C) Profit
(D) Interest

Previously asked in: 2025 92 Q3 (iv)

◆ **Investment Basics** Dividend

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Model Answer

(A) Dividends

Dividends is a percentage of the face value of a share that a company returns to its shareholders from its annual profit.

Explanation

- **Dividend** is the correct term for the portion of profit distributed to shareholders, calculated as a percentage of the face value of shares.
- **Capital gain** is profit from selling a share at a higher price — not a distribution from company profit.
- **Interest** applies to debt instruments like bonds/fixed deposits, not equity shares.
- In board exams, for MCQs, just writing the option letter **(A)** with the term is sufficient; one supporting line adds clarity.

Q9. § What is Investment? § What care should one take while investing? **[1]**

A way of thinking that helps to accept failure, not give up, continuously experiment etc. is crucial for an entrepreneur.

(a) Energetic
(b) Self-confident
(c) Perseverant
(d) Optimism

Previously asked in: 2023 92 Q1 (i)

◆ **Investment Basics** Entrepreneurial Mindset

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Model Answer

(c) Perseverant

A perseverant mindset helps an entrepreneur accept failure, not give up, and continuously experiment to achieve success.

Explanation

"Perseverance" specifically refers to the quality of continuing despite difficulties or failure — it covers accepting failure, not giving up, and experimenting repeatedly. "Optimism" is a positive outlook, "self-confidence" is belief in oneself, and "energetic" refers to physical drive — none of these fully capture the idea of *persistent effort through failure*. Examiners expect you to pick the one term that matches the full description in the question.

Q10. § What is Dematerialization? **[1]**

Enables you to perform a particular job or task with considerable proficiency.

(a) Interests
(b) Abilities
(c) Weakness
(d) Motivation

Previously asked in: 2023 92 Q1 (iii)

◆ Investment Basics | Skill (as a component of Investment Basics / Personal Finance attributes)

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Model Answer

(b) Abilities

Abilities enable a person to perform a particular job or task with considerable proficiency and competence.

Explanation

The word "proficiency" in the question is the key clue — it points directly to **Abilities**, which refer to the skill or capacity to carry out tasks effectively. Interests relate to preferences, Motivation to drive/desire, and Weakness is the opposite of ability.

Q11. § What are various options available for investment? **[1]**

Investments with low risk involve minimal or no levels of risk, providing stable and often guaranteed returns. These options are ideal for risk-averse investors seeking a secure way to earn returns. Which of following is not low-risk investment ?

(A) Fixed Deposits
(B) Public Provident Fund (PPF)
(C) Sukanya Samriddhi Yojana
(D) Equities

Previously asked in: 2026 92 Q2 (i)

◆ Investment Basics | 1.1 Saving Vs Investment

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Model Answer

(D) Equities

Equities are market-linked instruments with high risk and volatile returns, unlike Fixed Deposits, PPF, and Sukanya Samriddhi Yojana, which offer stable, guaranteed returns with low risk.

Explanation

- The passage states Fixed Deposits are "for investors with low risk appetite," confirming they are low-risk.
- PPF and Sukanya Samriddhi Yojana are government-backed small saving instruments — inherently low-risk.
- Equities (shares) are securities market instruments whose returns depend on market performance, making them high-risk. This is the odd one out.
- In MCQs, eliminate options that match the category described; the one that doesn't fit is the answer.

Q12. § INVESTMENT BASICS § Why should one invest?

Value Investment Strategy

Previously asked in: 2023 92 Q19 (c)

◆ **Investment Basics** 1.1 Saving Vs Investment

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Model Answer

Value Investment Strategy:

Value investing is a strategy where an investor picks stocks that appear to be trading below their intrinsic or true value. The investor looks for shares that are undervalued by the market — i.e., the current market price is lower than what the stock is actually worth.

Key features:

- Focuses on buying undervalued stocks and holding them long-term.
- Requires analysing the company's fundamentals (earnings, assets, dividends).
- The investor waits patiently for the market to recognise the stock's true value, earning profit when the price rises.
- Aims to provide returns above the inflation rate to ensure real growth of investment.

It is a low-risk, long-term approach suited to investors who research carefully before investing.

Source: Investment Basics, Chapter 1

Explanation

The source passages do not explicitly define "Value Investment Strategy," so the examiner expects you to apply concepts from the chapter — such as real rate of return, inflation-beating returns, and careful analysis before investing (the 12 steps) — to frame your answer. Key examiner expectations: define the term, list 2–3 features, and connect it to the broader investment goal of beating inflation and preserving asset value. Keep it concise and factual.

Q13. § What is Investment? **[1]**

What does investment mean ?

(A) An increase in national stocks over time
(B) The use of fund to acquire products and services that contribute to the production process
(C) The use of funds for assets with the aim of generating future income or returns
(D) The application of money to purchase a flat or a house

Previously asked in: 2026 92 Q3 (i)

◆ **Investment Basics** 1.1 Saving Vs Investment

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Model Answer

(C) The use of funds for assets with the aim of generating future income or returns.

Explanation

The source passage defines investment as using savings to "get return on it in the future," which matches option (C) exactly. Option (B) describes expenditure on production inputs; (A) and (D) are too narrow or incorrect.

Q14. **[1]**

With the introduction of high agriculture tools, we can grow more food by using fertilisers, pesticides and hybrid crops. This leads to _______.

Previously asked in: 2023 92 Q3

◆ Investment Basics | Green Revolution / Agricultural Productivity and Food Security

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Model Answer

With the introduction of high agriculture tools, we can grow more food by using fertilisers, pesticides and hybrid crops. This leads to **higher crop yield / increased agricultural productivity**.

Explanation

This question appears to be from an Agriculture or Economics context. The blank requires a result/consequence of using modern agricultural tools, fertilisers, pesticides, and hybrid crops — which collectively increase food production, i.e., higher crop yield. Note: The source passages provided are from a Finance/Securities chapter and do not contain relevant content for this question; the answer is based on general CBSE curriculum knowledge.

Q15. § What is Investment? § What are various options available for investment? **[2]**

Answer the following sub-parts:

(a) What is a career ? [1]

(b) Name the two ways how a person can earn a living. [1]

Previously asked in: 2026 92 Q9

◆ Investment Basics | 1.1 Saving Vs Investment

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Model Answer

(a) A career is a profession or occupation that a person pursues over a long period of their life to earn a living and achieve personal and professional growth.

(b) A person can earn a living in two ways:

1. By doing a **job** (employment/service)
2. By doing **business** (self-employment/entrepreneurship)

Explanation

The source passages provided relate to investment and securities, not careers. The question is from a different chapter/topic (likely an introductory chapter on careers and employment). The answers above reflect standard CBSE Class 10 (Employability Skills / Vocational) definitions:

- A **career** is a standard one-line definition.
- The **two ways** to earn a living (job vs. business) is a fundamental concept tested frequently.

If your textbook has a specific definition, always prefer that exact wording.

Q16. § What are various options available for investment? § What are various long-term financial options available for investment? **[1]**

Which of the following is a long-term investment option ?

(A) Saving Bank Account
(B) Money Market or Liquid Fund
(C) Fixed Deposits with bank with less than one year tenure
(D) Post Office monthly income scheme

Previously asked in: 2025 92 Q3 (i)

◆ **Investment Basics** 1.1 Saving Vs Investment

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Model Answer

(D) Post Office Monthly Income Scheme

Post Office Monthly Income Scheme is listed under long-term financial investment options, with a maturity period of 6 years.

Explanation

The source passage clearly places Post Office Monthly Income Scheme under **long-term** investment options. Options A, B, and C (Savings Bank Account, Money Market/Liquid Funds, and Bank FDs under one year) are explicitly categorised as **short-term** options. Examiners expect you to recall this classification directly.

Q17. § What is Investment? **[1]**

Define a career.

Previously asked in: 2023 92 Q1 (v)

◆ **Investment Basics** Definition of a Career

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Model Answer

A career is a long-term professional journey in a particular field or occupation that a person pursues for livelihood, growth, and personal development throughout their working life.

Explanation

The source passages provided are about investment and securities, not careers — so this question cannot be grounded in them. The answer above reflects the standard CBSE/vocational curriculum definition of "career." Examiners expect a simple, one-line definition covering the key idea: a long-term pursuit of a profession/occupation. Avoid over-explaining.

Q18. § Why should one invest? § What is meant by Interest? § What factors determine interest rates? **[1]**

What is meant by 'Real rate of return'?

Previously asked in: 2023 92 Q2 (i)

◆ **Investment Basics** 1.1 Saving Vs Investment

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Model Answer

Real rate of return is the return on an investment **after adjusting for inflation**; it ensures the investment's value actually increases over time.

Source: Chapter 1, Why should one invest?

Explanation

The passage explicitly states: *"look at an investment's 'real' rate of return, which is the return after inflation."* Examiners expect you to include both key ideas — (1) return after inflation, and (2) its purpose of maintaining/increasing the investment's real value. One crisp sentence is enough for 1 mark.

Q19. § What is Investment? § Why should one invest? **[1]**

What do you mean by 'Time value of Money' ?

Previously asked in: 2023 92 Q10

◆ **Investment Basics** Time Value of Money

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Model Answer

Time value of money means that the value of money available today is worth more than the same amount in the future, because money today can be invested to earn returns.

Explanation

The examiner expects a one-line definition highlighting the core idea: present money > future money due to its earning potential. Mentioning "earning returns" or "inflation" as the reason adds completeness for 1 mark.

Q20. § Why should one invest? § When to start Investing? § What are various long-term financial options available for investment? **[4]**

Suppose you are given two options :

(a) Receive ` 10,000 now or

(b) Receive ` 10,000 after three years

Which of options you prefer to choose ? Explain with the help of the time value of money concept.

Previously asked in: 2025 92 Q21

◆ **Investment Basics** Time Value of Money

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Model Answer

I would choose option (a) — Receive ₹10,000 now.

Reason — Time Value of Money:
Money available today is worth more than the same amount received in the future. This is because money received now can be invested immediately to earn returns.

Explanation with example:
If ₹10,000 is received now and invested at 8% p.a. (e.g., Post Office or PPF), it will grow over three years. Receiving it after three years means losing three years of potential returns.

Additional reasons:

- Inflation reduces the purchasing power of money over time; ₹10,000 after 3 years will buy less than ₹10,000 today.
- Early investment allows compounding to increase wealth.
- Future receipts carry uncertainty; present money is certain.

Therefore, receiving money *now* is always preferable due to its higher present value.

Explanation

- The **core concept** examiners want is: money today > same money later, because of earning potential, inflation, and certainty.
- Mention **inflation** (from the "Why invest?" section) and **compounding / invest early** (from "When to start investing?") — these are direct textbook points that fetch marks.
- A brief numerical hint (8% p.a. example) strengthens the answer without wasting space.
- Do not write a lengthy essay; 4 crisp points covering the concept + reasons = full marks.

Q21. § What is meant by Interest? § What factors determine interest rates? **[1]**

If interest rate is compounded quarterly, then the number of conversion periods per year would be __________.

(A) two
(B) three
(C) four
(D) six

Previously asked in: 2026 92 Q4 (vi)

◆ **Investment Basics** Compounding and Conversion Periods

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Model Answer

(C) four

When interest is compounded quarterly, conversion occurs 4 times a year (every 3 months).

Explanation

"Quarterly" means every quarter (3 months), so there are **4** quarters in a year = 4 conversion periods. This is a direct definitional fact tested in 1-mark MCQs. No calculation needed — just recall the meaning of "quarterly."

Q22. § What is Investment? § When to start Investing? § What is meant by Interest? **[1]**

When you invest money, you earn interest on your capital. The next year you earn interest on both your original capital and interest from the first year. In the third year, you earn interest on your capital and the interest on the first two years' interest... and so on. This concept is known as ___________.

(A) The concept of Discounting
(B) The concept of Compounding
(C) The concept of Simple Interest
(D) The concept of Profit

Previously asked in: 2025 92 Q2 (i)

◆ **Investment Basics** Compounding / Power of Compounding

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Model Answer

(B) The concept of Compounding

Earning interest on both the original capital and previously accumulated interest, year after year, is known as the concept of **Compounding**.

Explanation

The passage under "When to start Investing?" directly defines compounding as "accumulating the principal and the interest or dividend earned on it, year after year." Simple interest is earned only on principal; compounding earns interest on interest — that is the key distinction examiners look for here.

Q23. § What is Investment? § What is a Mutual Fund? **[1]**

A part of the profit is retained by the company for meeting fund requirements in future.

(a) Dividend
(b) Interest
(c) Reserves and Surplus
(d) Revenue

Previously asked in: 2023 92 Q5 (vi)

◆ Investment Basics | Reserves and Surplus | Retained Earnings / Ploughing Back of Profits

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Model Answer

(c) Reserves and Surplus — A part of the profit retained by the company for meeting future fund requirements is called **Reserves and Surplus**.

Explanation

The key phrase is "retained by the company for future fund requirements," which directly defines Reserves and Surplus. Dividend is profit distributed to shareholders; Interest is paid on borrowed funds; Revenue is income earned — none of these involve retention of profit for future use.

Q24. **[1]**

In SMART Goals 'R' stands for :

(A) Rational
(B) Realistic
(C) Revised
(D) Regional

Previously asked in: 2026 92 Q1 (ii)

◆ Investment Basics | SMART Goals in Financial Planning

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Model Answer

(B) Realistic

In SMART Goals, 'R' stands for **Realistic** — meaning the goal should be achievable and within one's capabilities.

Explanation

SMART is an acronym: Specific, Measurable, Achievable, Realistic, Time-bound. The source passages do not directly mention SMART goals, but 'Realistic' is the standard accepted full form for 'R' in SMART Goals as per the CBSE curriculum. Option (B) is correct.

Q25. § INVESTMENT BASICS § What care should one take while investing? **[1]**

“One must believe in oneself.” Mention the quality of Entrepreneur.

Previously asked in: 2023 92 Q1

◆ **Investment Basics** Qualities of an Entrepreneur - Self-Confidence

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Model Answer

Self-confidence is the quality of an entrepreneur indicated by "One must believe in oneself." An entrepreneur trusts their own abilities and decisions to start and run a business successfully.

Explanation

The question asks for one entrepreneurial quality linked to self-belief. The expected answer is simply **self-confidence**. In board exams, naming the quality with a brief one-line explanation is sufficient for 1 mark. Note: the source passages provided are about investment basics and do not directly cover entrepreneurial qualities, so this answer draws on standard CBSE Business Studies/Entrepreneurship knowledge.

Q26. **[1]**

"I will read my entire year's syllabus in one day and get good marks." It is an example of __________.

(A) Realistic goal
(B) Achievable goal
(C) Unrealistic goal
(D) Time bound goal

Previously asked in: 2025 92 Q1 (iii)

◆ **Investment Basics** Unrealistic Expectations / Overconfidence in Investment Behaviour

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Model Answer

(C) Unrealistic goal

Reading an entire year's syllabus in one day to get good marks is an example of an **unrealistic goal**, as it is not practically achievable.

Explanation

The statement describes something impossible to accomplish practically, making it unrealistic. Examiners expect you to identify that a goal must be practical and achievable; cramming a full year's syllabus in one day clearly is not. Note: The source passages provided are unrelated to this question, but the answer is based on general academic knowledge of goal-setting concepts tested in this topic.

Q27. § INVESTMENT BASICS § What is a Derivative? § What is Dematerialization? **[1]**

This includes what to produce or sell, how much and where to sell. Identify this function of entrepreneur.

(A) Making Decisions
(B) Taking Risk
(C) Divide Income
(D) Create a new method, idea or product

Previously asked in: 2025 92 Q1 (v)

◆ **Investment Basics** Functions of an Entrepreneur – Decision Making (What, How Much, and Where to Sell)

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Model Answer

(A) Making Decisions

This function involves deciding what to produce or sell, how much to produce, and where to sell it.

Explanation

"Making Decisions" is the entrepreneurial function that covers all key business choices — product selection, quantity, and target market. Examiners expect you to simply identify the correct option and briefly justify it in one line.

Q28. § 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.

Q29. § What is Investment? § What are various options available for investment? **[2]**

Describe the ways through which a person can earn a living.

Previously asked in: 2023 92 Q5

◆ **Investment Basics** Ways of Earning a Living (Employment, Business, Profession)

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Model Answer

A person can earn a living through the following ways:

1. **Employment/Job** – By working for an organization or individual in exchange for salary or wages.
2. **Business** – By running one's own business to earn profit.
3. **Investment** – By investing savings in assets such as real estate, gold, shares, bonds, or fixed deposits to earn returns.

Explanation

The source passages focus mainly on investment as a way to earn returns on savings. For a 2-mark question, mention 2–3 distinct ways clearly. Examiners expect concise, labelled points. Since the passage highlights investment specifically, include it as a key point alongside employment and business for a complete answer.

Q30. § INVESTMENT BASICS § What are various options available for investment? § What is a Mutual Fund? **[4]**

> "Effective fund allocation is vital for a company's financial stability and growth. Companies can strategically utilise funds in several key areas : investing in fixed assets such as machinery, buildings or technology that enhance operational efficiency; managing working capital to ensure smooth day-to-day operations and meet short-term obligations and repaying debt to reduce interest expenses and improve the overall financial position. Thoughtful investment in these areas not only supports immediate needs but also lays a solid foundation for long-term success."

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

(a) In the context of the paragraph, what are the various types of applications of fund ? Explain one of them. [3]

(b) Why is the application of funds important for a company's financial health ? [1]

Previously asked in: 2026 92 Q20

◆ **Investment Basics** Application of Funds (Investment Avenues)

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Model Answer

(a) According to the passage, the three types of applications (uses) of funds are:

1. **Investing in Fixed Assets** – purchasing machinery, buildings, or technology to enhance operational efficiency.
2. **Managing Working Capital** – ensuring smooth day-to-day operations and meeting short-term obligations.
3. **Repaying Debt** – reducing interest expenses and improving the overall financial position.

Explanation of one: Investing in fixed assets means using funds to acquire long-term assets like machinery or technology. These assets improve a company's productive capacity and operational efficiency, supporting business growth over the long term.

(b) Effective application of funds is important because it ensures financial stability, supports immediate operational needs, reduces debt burden, and lays a solid foundation for the company's long-term growth and success.

Source: Fund Flow Statement, Applications of Funds

Explanation

- For **(a)**, examiners expect all three uses listed from the passage + a brief explanation of any one. Name all three to secure full marks.
- For **(b)**, keep it to one crisp sentence drawing directly from the passage's opening and closing lines — "financial stability," "immediate needs," and "long-term success" are the key phrases examiners look for.
- Do not bring in outside knowledge that contradicts the passage.

Q31. **[2]**

Ramya and Ramu both own plant shop. Ramu sits at his shop every day. When customers come, he sells plants to them. Ramya walks around and brings customers to her shop. She also sells seeds and flowers with her plants. Ramya is working hard to grow her business. She has also added a different idea to her business. Explain the roles of Ramya and Ramu.

Previously asked in: 2025 92 Q9

◆ **Investment Basics** | Diversification of Business/Investment | Types of Investors/Entrepreneurs: Active vs Passive Business Roles

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Model Answer

Ramu is a passive businessman. He waits at his shop for customers to come to him and only sells plants. He does not make extra effort to expand his business.

Ramya is an entrepreneur. She actively seeks customers, diversifies her products (seeds, flowers, plants), and introduces innovative ideas to grow her business.

Explanation

This question tests understanding of **entrepreneurship vs. passive business**. Ramu represents a traditional shopkeeper with no initiative for growth. Ramya shows entrepreneurial traits: proactiveness, diversification, and innovation. Examiners expect these contrasting roles to be clearly identified and explained. The source passages are not directly relevant here — answer is based on the scenario given.

Q32. § What is meant by Interest? | § What factors determine interest rates? | § What are various short-term financial options available for investment? **[1]**

"It is often the first banking product people use, which offers low interest."

(a) Fixed Deposit Account
(b) Recurring Deposit Account
(c) Current Deposit Account
(d) Saving Bank Account

Previously asked in: 2023 92 Q5 (i)

◆ **Investment Basics** | Savings/Bank Account – First Banking Product with Low Interest

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Model Answer

(d) Saving Bank Account

Explanation

The passage directly states: "Savings Bank Account is often the first banking product people use, which offers low interest (4%-5% p.a.)." This matches option (d) exactly.

Q33. **[2]**

What is meant by conversion period ?

Previously asked in: 2023 92 Q16

◆ **Investment Basics** | Conversion Period

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Model Answer

Conversion period refers to the time interval between two successive conversions of interest. When interest is compounded, it is calculated and added to the principal after each conversion period. For example, if interest is compounded quarterly, the conversion period is 3 months. The shorter the conversion period, the more frequently interest is compounded.

Source: Chapter 1, Interest

Explanation

- The examiner expects you to define conversion period clearly and give an example (e.g., quarterly, half-yearly, monthly).
- Key terms to use: "time interval," "successive conversions," and "compounding."
- At 2 marks, one clear definition + one example is sufficient — no need to elaborate further.

Q34. § INVESTMENT BASICS | § What is Investment? | § What are various long-term financial options available for investment? **[1]**

____________ is the sum of present values of all the cash inflows of this annuity.

(A) Present value of a single cash flow
(B) Future value of an annuity
(C) The present value of annuity
(D) The future value of a net cash flow

Previously asked in: 2025 92 Q5 (vi)

◆ **Investment Basics** | Present Value of Annuity

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Model Answer

(C) The present value of annuity is the sum of present values of all the cash inflows of an annuity.

Explanation

The present value of an annuity refers to the total of discounted (present) values of all future cash inflows. Examiners expect you to select option (C) directly. The other options refer to different financial concepts — future values or single cash flows — which do not match the definition given.

Q35. **[1]**

"Akshita is always punctual at school. She has a regular schedule that she follows everyday. She plans for study and play time in advance." Mention this ability of Akshita.

Previously asked in: 2023 92 Q1 (ii)

◆ **Investment Basics** | Time Management / Planning Ability

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Model Answer

The ability shown by Akshita is **self-management** (or self-discipline/time management) — the ability to regulate oneself by planning, organising, and managing time effectively.

Explanation

This question is from the life skills/personal development context. The key traits described — punctuality, following a regular schedule, planning in advance — all point to **self-management**. Examiners expect the term "self-management" as the core answer. Note: the source passages provided are unrelated to this question; the answer is based on standard CBSE curriculum knowledge of self-management skills.

Q36. § 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.

Q37. **[2]**

Ravi and his best friend, Shiv have been practicing for annual school dance competition. They both are performing solo. On the day of the competition, Shiv won. Ravi felt extremely sad and dejected. He shouted at Shiv unnecessarily, cried and also did not talk to his parents for 3-4 hours. On the contrary, if Ravi would have been emotionally intelligent, he would have accepted defeat gracefully and done better in the next competition. Being emotionally intelligent enhances your chances of success and a balanced life. Suggest some points to manage emotional intelligence.

Previously asked in: 2025 92 Q7

◆ **Investment Basics** | Emotional Intelligence and Its Management

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Model Answer

To manage emotional intelligence, one should:

1. **Be self-aware** — recognise and understand your own emotions.
2. **Self-regulate** — control impulsive reactions; think before acting.
3. **Stay motivated** — focus on improvement rather than defeat.
4. **Show empathy** — understand others' feelings and appreciate their success.
5. **Develop social skills** — maintain healthy relationships even in difficult situations.

Explanation

The source passages provided are unrelated to this question (they cover financial topics). This answer is based on the standard CBSE Class 10 curriculum on **Emotional Intelligence** (typically covered in Health & Physical Education or Life Skills). Examiners expect 4–5 practical points. Ravi's behaviour (shouting, crying, ignoring parents) contrasts with emotionally intelligent responses — use that contrast to frame your points. Avoid writing in essay form; bullet points are preferred for this type of question.

Q38. § What is the function of Securities Market? § Which are the securities one can invest in? **[1]**

Companies whose potential for growth in sales and earnings are excellent, are growing faster than other companies in the market or other stocks in the same industry are called :

(A) Value Stock
(B) Common Stock
(C) Growth Stock
(D) Debt Instrument

Previously asked in: 2025 92 Q2 (iv)

◆ **Securities** Growth Stocks

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Model Answer

(C) Growth Stock — Companies with excellent potential for growth in sales and earnings, growing faster than other companies or stocks in the same industry, are called **Growth Stocks**.

Explanation

- The question describes a specific category of stocks defined by high growth potential in sales and earnings relative to the market or industry peers — this is the textbook definition of a **Growth Stock**.
- **Value Stock** refers to undervalued stocks; **Common Stock** is another term for equity shares; **Debt Instrument** involves borrowing (e.g., bonds/debentures) — all are clearly different concepts.
- In MCQs, match the key phrase *"growing faster than other companies/industry"* directly to the term **Growth Stock**.

Q39. § What is the function of Securities Market? § Which are the securities one can invest in? § 2.2 Participants **[1]**

__________ are interconnected with investments via a diverse array of intermediaries that employ various financial instruments known as 'Securities'.

(A) Savings
(B) Interest
(C) Income
(D) Profit

Previously asked in: 2026 92 Q2 (ii)

◆ **Securities** Savings and Investments linkage through Securities

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Model Answer

(A) Savings

Savings are interconnected with investments via a diverse array of intermediaries that employ various financial instruments known as 'Securities'.

Explanation

The statement describes how savings flow into investments through financial intermediaries (like mutual funds, banks) using securities (shares, bonds, debentures). The correct fill is **Savings**, as it is savings that get channelled into investments through these intermediaries.

Q40. § Which are the depositories in India? § What are the benefits of participation in a depository? § Can one dematerialise his debt instruments, mutual fund units, government securities in his demat account? **[1]**

Mr. Sandeep, a new investor, is interested in investing in the stock market. He has learned about the advantages of holding securities in electronic form and has decided to open a demat account. To do this, he approached a local financial institution called "Arron Financials", which is a registered Depository Participant with both NSDL and CDSL. Arron Financials helps him open a demat account and dematerialize his physical shares.
Who serves as the intermediary between the depository and the investors ?

(A) Stock Exchange
(B) Clearing Corporation
(C) Registrar and Transfer Agent
(D) Depository Participant

Previously asked in: 2026 92 Q4 (iv)

◆ **Depository** 1.3 Electronic Shares

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Model Answer

(D) Depository Participant

A Depository Participant (DP) serves as the intermediary (agent) between the depository and the investors, appointed by the depository with SEBI's approval.

Source: Chapter 6, "Who is a Depository Participant (DP)?"

Explanation

The passage clearly states: *"The Depository provides its services to investors through its agents called depository participants (DPs)."* In the question, **Arron Financials** is itself a DP — confirming option (D). Stock exchanges, clearing corporations, and RTAs play different roles and are not described as the depository–investor intermediary in this context.

Q41. § Can odd lot shares be dematerialised? **[1]**

Mr. Anil owns 500 physical shares of XYZ Ltd. He wants to sell them on the stock exchange but is worried about the risks of holding physical certificates. He needs a quicker and safer way to trade.
What should Mr. Anil do ?

(A) Sell the physical share certificates at stock exchange.
(B) Transfer the physical shares to XYZ Ltd. and then sell them.
(C) Open a Demat account with a Depository Participant (DP) and dematerialize his share before selling.
(D) Ignore the risks and sell the shares as they are.

Previously asked in: 2026 92 Q5 (i)

◆ **Depository** 1.3 Electronic Shares

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Model Answer

(C) Mr. Anil should open a Demat account with a Depository Participant (DP) and dematerialise his shares, eliminating risks like bad delivery and fake certificates before selling.

Explanation

The source passage clearly states that dematerialisation eliminates risks associated with physical certificates (bad delivery, fake securities, etc.) and ensures immediate transfer of securities. A Demat account with a DP is the correct and safe route to trade on a stock exchange. Physical share certificates cannot be directly traded on modern stock exchanges.

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