B.K. BIRLA CENTRE FOR EDUCATION

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

TERM 1 EXAMINATION - 2026-27
FINANCIAL MARKETS MANAGEMENT
SET 2

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. Section A –Question 1 to 20 are MCQs of 1 mark each.
III. 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.
IV. 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.
V. 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 Rs 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]

22. Distinguish between financial assets and real assets. [2]

23.Explain any two benefits of listing securities on a stock exchange. [2]

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

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

SECTION-C

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

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

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

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

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

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

SECTION-D

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

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

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

ALL THE BEST