



B.K. BIRLA CENTRE FOR EDUCATION

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

ANNUAL EXAMINATION 2025-26 FINANCIAL MARKET MANAGEMENT (805)

CLASS: XI

MS

DURATION: 3Hours

DATE: 18/02/2026

MAX. MARKS: 60

NAME:

EXAM NO: -----

SECTION-A 1X5=5 (attempt any 5)

Q1. A financial market is a market where:

- a) Goods and services are exchanged
- b) Financial instruments are bought and sold**
- c) Only shares are traded
- d) Foreign currencies are exchanged

Q2. Which of the following is a function of the **Primary Market**?

- a) Trading of existing securities
- b) Price discovery
- c) Issue of new securities**
- d) Speculation

Q3. NAV in mutual funds refers to:

- a) Market price of units
- b) Total investment value
- c) Net Asset Value per unit**
- d) Face value of units

Q4. An Exchange Traded Fund (ETF) is traded on:

- a) Mutual fund houses
- b) Banks
- c) Stock exchanges**
- d) RBI

Q5. An investor purchases shares of a company for ₹50,000 and later sells them for ₹65,000. The tax charged on the profit earned from this transaction is called:

- a) Income Tax
- b) Dividend Tax
- c) Capital Gains Tax**
- d) Goods and Services Tax

Q6. Assertion (A): Investing in Gold ETFs helps an investor develop informed decision-making skills.
Reason (R): Gold ETFs require investors to understand market trends, risk factors, and price movements of gold before investing.

- 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

Q7. Assertion (A): Gold ETFs promote financial literacy and responsible financial behaviour among investors.

Reason (R): Gold ETFs are traded on stock exchanges and require a Demat account and basic knowledge of financial markets.

- 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

SECTION-B 2X6=12

Q8. Explain any two functions of financial markets.

Ans. Financial markets mobilise savings by channelising funds from surplus units to deficit units. They also provide liquidity by enabling investors to buy and sell financial instruments easily.

Q9. Differentiate between Primary Market and Secondary Market.

Ans. The primary market deals with the issue of new securities directly by companies, whereas the secondary market deals with the buying and selling of existing securities. The primary market helps in capital formation, while the secondary market provides liquidity.

Q10. State any **two** features of mutual fund products.

Ans. Mutual funds offer professional management where investments are handled by experts. They also provide diversification by investing in a variety of securities, which reduces risk.

Q11. State any three functions of a secondary market.

Ans. ETFs are traded on stock exchanges like shares, whereas debt funds are bought and sold through mutual fund houses. ETFs generally track an index, while debt funds invest in fixed income securities.

Q12. Mention any **two** differences between ETFs and Debt Funds.

Ans. ETFs are traded on stock exchanges like shares, whereas debt funds are bought and sold through mutual fund houses. ETFs generally track an index, while debt funds invest in fixed income securities.

Q13. Ravi buys a laptop and pays GST included in the price. His employer deducts income tax from his monthly salary before paying him.

- a) Identify the type of tax paid in both cases.
b) State one difference between the two types of taxes.

SECTION-C 3X5=15

Q14. Rohit wants to invest his savings in instruments that offer liquidity and safety.

Identify a suitable financial market for him and justify your answer.

Ans. The money market is suitable for Rohit as it provides high liquidity and safety. It deals with short-term instruments that involve low risk, making it ideal for conservative investors.

Q15. A company issues shares to the public for the first time and later those shares are traded on a stock exchange.

Identify the two markets involved and explain their role.

Ans. The company first issued shares in the primary market, which helped in raising capital. Later, the shares were traded in the secondary market, which provided liquidity to investors.

Q16. Neha invested in a mutual fund scheme managed by professionals and diversified across sectors.

Explain why mutual funds are suitable for small investors.

Ans. Mutual funds are suitable for small investors because they offer diversification, professional management, and require a low amount of initial investment, reducing risk and increasing convenience.

Q17. An investor wants a low-risk and high liquidity investment for a short duration.

Suggest a suitable fund and justify your answer.

Ans. A liquid fund is suitable as it offers high liquidity, low risk, and stable returns for short-term investment needs.

Q18. An investor earned profits from the sale of shares and mutual funds.

Explain how taxation impacts investment returns.

Ans. Taxation reduces the net returns earned by investors. Capital gains tax is levied on profits from the sale of securities, making tax planning an important part of investment decisions.

SECTION-D 4X7=28

Q19. Explain the types of financial markets with suitable examples.

Ans. Financial markets are classified into different types based on maturity and nature of transactions. The money market deals with short-term funds and instruments like treasury bills. The capital market deals with long-term funds through shares and debentures. The primary market issues new securities, while the secondary market facilitates trading of existing securities.

Q20. Describe the role of the secondary market in capital formation.

Ans. The secondary market provides liquidity by allowing investors to sell their securities easily. It encourages investment by ensuring fair price discovery. It also ensures continuous valuation of securities and builds investor confidence, thereby supporting capital formation indirectly.

Q21. Explain the advantages of investing in mutual funds.

Ans. Mutual funds provide diversification which reduces risk. They are managed by professional fund managers who make informed investment decisions. Mutual funds also offer liquidity and are suitable for small investors due to low initial investment requirements.

Q22. Explain Debt Funds and Liquid Funds as investment options.

Ans. Debt funds invest in fixed income securities such as bonds, debentures, and government securities and are suitable for investors seeking stable returns. Liquid funds are a type of debt fund that invests in short-term instruments and provide high liquidity with low risk.

Q23. Discuss the important regulations governing the Indian financial markets.

Ans. Indian financial markets are regulated by SEBI, which protects investor interests and ensures transparency. RBI regulates money market instruments and banking activities. Disclosure norms and investor protection measures are strictly enforced to maintain market stability.

Q24. Rohan wants to invest in gold but does not want to face issues related to storage, purity, and safety of physical gold. He also wants his investment to be transparent and easy to trade. His teacher suggests investing in Gold ETFs.

Based on the above situation:

(a) Identify the financial instrument suitable for Rohan. (1 mark)

Ans. The suitable financial instrument is Gold Exchange Traded Fund (Gold ETF).

(b) Mention two advantages of this instrument over physical gold. (2 marks)

Ans. Two advantages of Gold ETFs over physical gold are:

- No risk related to storage and purity.
- High liquidity and transparency as they are traded on stock exchanges.

(c) State one employability skill developed by investing in such instruments. (1 mark)

Ans. Investing in Gold ETFs helps develop financial literacy and analytical skills, which are important employability skills.

Q25. Meena has basic knowledge of the stock market and holds a Demat account. She wants to invest in gold in a modern and systematic way. She studies gold price trends, global economic conditions, and market risks before investing in Gold ETFs.

Based on the above case:

(a) Name the type of investment option chosen by Meena. (1 mark)

Ans. The investment option chosen is Gold ETF.

(b) Identify two factors Meena analysed before investing. (2 marks)

Ans. Two factors analysed by Meena are:

- Gold price trends in the market.
- Global economic conditions and risk factors.

(c) Explain how this process helps in developing employability skills. (1 mark)

Ans. This process develops decision-making, problem-solving, and critical thinking skills, which are essential employability skills.
