B.K. BIRLA CENTRE FOR EDUCATION

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

PERIODIC TEST 2, 2025-26
FINANCIAL MARKET MANAGEMENT 805

Class: XI | **MARKING SCHEME** | **Time: 1hr**
Date: 10/11/2025 | **Max Marks: 25**
Admission no: | **Roll no:**

SECTION-A

1. Which of the following best describes a Mutual Fund? 1
a) A company that provides insurance
b) A pool of funds collected from investors and invested in securities
c) A bank that gives loans
d) A type of government scheme

2. Mutual funds are regulated in India by: 1
a) RBI
b) SEBI
c) IRDAI
d) Ministry of Finance

3. **Assertion (A):** Mutual Funds reduce the risk for small investors.
Reason (R): They diversify investments across different securities. 1
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

4. Which type of mutual fund scheme has no fixed maturity period? 1
a) Open-ended scheme
b) Close-ended scheme
c) Interval scheme
d) Government scheme

5. NAV in mutual funds stands for: 1
a) Net Asset Value
b) National Asset Value
c) New Annual Value
d) Net Annual Variation

SECTION –B

6. State any two advantages of investing in mutual funds. 2
Ans. Advantages of investing in mutual funds-
a. Diversification of risk
b. Professional fund management

7. Differentiate between Open-ended and Close-ended mutual funds. 2

Ans. Differences between Open-ended and Close-ended mutual funds-
a. Open-ended: no fixed maturity period; Close-ended: fixed maturity period
b. Open-ended: units can be bought/sold continuously; Close-ended: units traded only on stock exchange

8. What is Net Asset Value (NAV)? Why is it important in mutual funds? 2
Ans. a. Definition: Value per unit of a mutual fund scheme, calculated as (Total Assets – Liabilities)/Number of units outstanding.
b. Importance: Shows the current market value of units, helps investors track performance

9. Mention any two functions of mutual funds. 2
Ans. Functions of mutual funds-
a. Mobilizing savings from investors
b. Investing pooled funds in diversified securities

SECTION C

10. Explain the functions of Asset Management Companies (AMCs) in mutual funds. 3
Ans. Functions of AMCs-
a. Pooling funds from investors
b. Investing in different securities as per objectives
c. Professional management of funds

11. Mutual funds are considered a good investment option for small investors. Justify this statement with three reasons. 3
Ans. Mutual funds as a good investment option for small investors-
a. Diversification reduces risk
b. Low initial investment needed
c. Professional fund managers handle investments

SECTION D

12. Define the term “Mutual Fund”. Explain its main functions and also discuss any four types of mutual fund schemes. 6
Ans. A pool of money collected from investors and invested in securities such as stocks, bonds, etc.
Main functions-
a. Mobilizing funds from investors
b. Investing funds in diversified securities
Types of mutual fund schemes-
a. Open-ended scheme
b. Close-ended scheme
c. Interval scheme
d. Equity funds