B.K. BIRLA CENTRE FOR EDUCATION

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

INDIAN PUBLIC SCHOOLS' CONFERENCE

PERIODIC TEST-1, 2026-27

FMM 805

Class: XII	**SET-A**	**Time: 1hr**
Date: 15.06.2026	**ANSWER KEY**	**Max Marks: 25**
Admission no:		**Roll no:**

General Instructions:

I. Question paper comprises four Sections – A, B, C and D. There are 12 questions in the question paper. All questions are compulsory.
II. Section A – Question 1 to 5 are MCQs of **1 mark** each.
III. Section B – Question no. 6 to 8 are Very Short Answer Type Questions, carrying **2 marks** each. Answer to each question should not exceed 40-60 words.
IV. Section C - Question no. 9 and 10 are Short Answer Type Questions, carrying **3 marks** each. Answer to each question should not exceed 80-100 words.
V. Section D – Question no.11 and 12 are Long Type Question, carrying **4 marks**. Answer to this question should not exceed 120-150 words.
VI. There is no overall choice in the question paper.

SECTION-A

Q1. The payoffs for financial derivatives are linked to
a) Securities that will be issued in the future.
b) The volatility of interest rates.
c) Previously issued securities.
d) Government regulations specifying allowable rates of return.
Ans- c) Previously issued securities.

Q2. Financial derivatives include
a) Stocks.
b) Bonds.
c) Futures
d) None of the above.
Ans- c) Futures

Q3. What information does market movement screen provides to the user?
a) Movement of security on current day
b) Movement of security on Previous day
c) Movement of security on two days later
d) Movement of security on three days later
Ans- a) Movement of security on current day

Q4. Write the name of the market phase session in which the user can set up market watch.
a) Current market phase
b) Pre-Open session
c) Closed session
d) Market watch session
Ans- b) Pre-Open session

Q5. How trading system operates in National Stock Exchange
a) Strict time/priority only
b) Strict price priority only

c) Strict price/time priority only
d) Strict time/quantity priority only
Ans- c) Strict price/time priority only

SECTION-B

Q6. Classify the derivative on the bases of underlying assets.

Ans- Classification based on underlying assets

Equity derivatives based on shares.
Commodity derivatives based on goods like gold, oil.
Currency and interest rate derivatives based on forex and interest rates.

Q7. What are desirable attributes of an index?

Ans- Desirable attributes of an index
Should be representative and diversified.
Must be transparent and easy to understand.
Should be liquid and regularly updated.

Q8. What is NEAT and explain its features?
Ans:
NEAT is NSE's electronic trading system used for order matching.
It provides real-time trading, transparency and nationwide access.

SECTION-C

Q9. What are the difference between option and swaps?
Ans- Option vs Swaps
Options give a right without obligation; swaps involve obligation for both parties.
Options require premium payment; swaps generally do not.
Options are one-sided contracts; swaps are mutual agreements.
Options depend on price movement; swaps involve exchange of cash flows.

Q10. How to cancel orders?
Ans:
Select the order from the order book.
Use the cancel option in the trading system.
Orders can be cancelled only before execution.
Executed orders cannot be cancelled.

SECTION-D

Q11. What is regular lot matching?
Ans:
It is matching of buy and sell orders in standard lot sizes.
Takes place during normal trading session.
Follows price priority first.
Then follows time priority for matching orders.

Q12. According to you which contract (Forward or Future) is better for the investor and why?
Forward vs Future:

Ans- Futures are standardized and exchange-traded.
Futures have lower risk due to regulation.
Futures offer higher liquidity and transparency.
Forwards are customizable as per requirements.
Choice depends on need: safety (futures) vs flexibility (forwards).

ALL THE BEST