

# CBSE | DEPARTMENT OF SKILL EDUCATION

## FINANCIAL MARKETS MANAGEMENT (SUBJECT CODE: 805)

### Marking Scheme for Sample Question Paper Class XII (Session 2020-2021)

Max. Time: 3 Hours

Max. Marks: 60

#### General Instructions:

1. Please read the instructions carefully.
2. This Question Paper consists of **24 questions** in two sections – Section A & Section B.
3. Section A has Objective type questions whereas Section B contains Subjective type questions.
4. **Out of the given (6 + 18 =) 24 questions, a candidate has to answer (6 + 11 =) 17 questions in the allotted (maximum) time of 3 hours.**
5. All questions of a particular section must be attempted in the correct order.
6. **SECTION A - OBJECTIVE TYPE QUESTIONS (30 MARKS):**
  - i. This section has 06 questions.
  - ii. There is no negative marking.
  - iii. Do as per the instructions given.
  - iv. Marks allotted are mentioned against each question/part.
7. **SECTION B – SUBJECTIVE TYPE QUESTIONS (30 MARKS):**
  - i. This section contains 18 questions.
  - ii. A candidate has to do 11 questions.
  - iii. Do as per the instructions given.
  - iv. Marks allotted are mentioned against each question/part.

## SECTION A: OBJECTIVE TYPE QUESTIONS

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| <b>Q. 1</b> | <b>Answer any 4 out of the given 6 questions on Employability Skills (1 x 4 = 4 marks)</b> |   |
| i.          | a. All of the above  | 1 |
| ii.         | d. All of the Above  | 1 |
| iii.        | a. Personality   | 1 |
| iv.         | a. True  | 1 |
| v.          | d. All of the above  | 1 |
| vi.         | d. Both a and b  | 1 |

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| <b>Q.2</b> | <b>Answer any 5 out of the given 6 questions (1 x 5 = 5 marks)</b>  |   |
| I.         | Ans: Primary Market and Secondary Market  | 1 |
| II.        | Ans: This market the issuers of securities, both Government and corporations, raise resources to meet their requirements of investment. | 1 |
| III.       | Ans: Nifty 50   | 1 |
| IV.        | Ans: The summation of Capital and free reserves less non allowable assets.  | 1 |
| V.         | Ans: Sub broker is an intermediary between stock broker and client in capital market segment  | 1 |
| VI.        | Ans: Contract note is a confirmation of trade(s) done on a particular day for and on behalf of a client.                                | 1 |

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| <b>Q.3</b> | <b>Answer any 4 out of the given 5 questions (1 x 4 =4 marks)</b>   |   |
| I.         | Ans: NSE introduced a nation-wide on-line, fully-automated screen based trading system (SBTS).  | 1 |
| II.        | Ans: NSE is use satellite communication technology for trading. Its trading system, called National Exchange for Automated Trading (NEAT) | 1 |
| III.       | Ans: Monday to Friday 9: 00 am to 9:15 am except holidays   | 1 |
| IV.        | Ans: All buyback orders are identified by an '* in the MBP screen   | 1 |
| V.         | Ans: Ex-Dividend (Not Entitle to receive dividend)  | 1 |

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| <b>Q.4</b> | <b>Answer any 4 out of the given 5 questions (1 x 4 =4 marks)</b>   |   |
| I.         | Ans. The Price where Stop Less get triggered.   | 1 |
| II.        | Ans: Immediate or Cancel (Probably Partially trading).  | 1 |
| III.       | Ans: STRATUS- The mainframe computer at the NSE.  | 1 |
| IV.        | Ans: any information which if published is likely to materially affect the price of securities of a company.          | 1 |
| V.         | Ans: The Agent of depository who do front office activity to interact with customer / shareholder/ Beneficiary owner. | 1 |

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| <b>Q.5</b> | <b>Answer any 5 out of the given 6 questions (1 x 5 = 5 marks)</b>   |   |
| I.         | Ans. Trade Day in the Exchange   | 1 |
| II.        | Ans: The Day to deliver the securities or transfer the funds to Clearing Corporation.  | 1 |
| III.       | Ans. Professional Clearing Member who clear the trades of other but does not trade.  | 1 |
| IV.        | Ans: The Margin pay upfront by the member which calculate at client level and payable by the member for risk management of settlement.     | 1 |
| V.         | Ans: A valuation debit is conducted by the Clearing Corporation against the defaulter member in case of Shortage of securities.            | 1 |
| VI.        | Ans: insider trading 'means selling or buying in securities on the basis of price sensitive unpublished information of a listed corporate. | 1 |

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| <b>Q.6</b> | <b>Answer any 4 out of the given 5 questions (1 x 4 = 4 marks)</b>  |   |
| I.         | Ans: These are promises to deliver an asset at a pre- determined date in future at a predetermined price.               | 1 |
| II.        | Ans: Calls give the buyer the right but not the obligation to buy a given quantity of the underlying asset.             | 1 |
| III.       | Ans: An option exercise anytime up to the expiry of the contract period (termed as American option contract).           | 1 |
| IV.        | Ans: These are investors with a present or anticipated exposure to the underlying asset which is subject to price risks | 1 |
| V.         | Ans: The good index means well diversified and comprise with highly liquid securities.                                  | 1 |

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| <b>Q.7</b> | <b>Answer any 4 out of the given 5 questions (1 x 4 = 4 marks)</b>  |   |
| I.         | Ans: Forward Contract   | 1 |
| II.        | Ans: Measures the storage cost plus the interest that is paid to finance the asset less the income earned on the asset. | 1 |
| III.       | Ans: the margin account is adjusted to reflect the investor 's gain or loss depending upon the futures closing price.   | 1 |
| IV.        | Ans: Beta measures the sensitivity of stocks responsiveness to market factors.  | 1 |
| V.         | Ans: It is the price which the option buyer pays to the option seller. It is also referred to as the option premium     | 1 |

## **SECTION B: SUBJECTIVE TYPE QUESTIONS**

**Answer any 3 out of the given 5 questions on Employability Skills in 20 – 30 words\_(2 x 3 = 6 marks)**

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| Q. 8  | Ans: Absolute phrases are the trickiest to identify. These phrases are not closely connected to rest of the sentence; they don't describe a specific word, but modify the whole sentence. They add extra information and are usually separated by commas. Example: The semester finished; Karen sold all her textbooks | 2 |
| Q. 9  | Ans: Motivation is defined as the drive required to engage in goal-oriented behaviour. Motivation is inner urge to do something and self-motivation is ability to do what needs to be done without the influence or thrust from other people or situations   | 2 |
| Q.10  | Ans: Once you have entered data and applied relevant formula in a worksheet, you can arrange the data in ascending or descending order. This is called sorting of data.  | 2 |
| Q. 11 | Ans: Opportunities go untried until someone comes along with an eye for possibility and a can-do attitude. Some cultures may discourage entrepreneurial capacity resulting in a low rate of new firm entrance.   | 2 |
| Q. 12 | Ans: The alternates that the green jobs provide for sustainable development definitely help curb the emission of greenhouse gases. With the promotion of use of renewable sources in our homes and daily life, green jobs promise to limit the emission of harmful gases.  | 2 |

**Answer any 4 out of the given 6 questions in 20 – 30 words each (2 x 4 = 8 marks)**

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| Q. 13 | Ans: It enables investors to apply for IPO. Instead, the amount is blocked in investors 'own account and only an amount proportionate to the shares allotted goes out when allotment is finalized.  | 2 |
| Q. 14 | Ans: (a) Fraud or fraudulent act or if he is convicted of a criminal offence. (b) Violation of the provisions of any statute governing the activities, business and operations of the Exchange. (c) Improper conduct. (d) Failure to submit to or abide by arbitration. | 2 |
| Q. 15 | Ans: This closing session is available only in Normal Market Segment. Its timings are from 3.40 PM to 4.00 PM.. Securities not traded in the normal market session are not allowed to participate in the Closing Session.   | 2 |
| Q. 16 | Ans: An account period settlement is a settlement where the trades pertaining to a period stretching over more than one day are settled. For example, trades for the period Monday to Friday are settled together.  | 2 |
| Q. 17 | Ans: These entail swapping both principal and interest between the parties, with the cash flows in one direction being in a different currency than those in the opposite direction.  | 2 |
| Q.18  | Ans: An in-the-money (ITM) option would lead to a positive cash flow. A call option on the index is said to be in-the-money when the current index stands at a level higher than the strike price (i.e. spot price > strike price).                                     | 2 |

**Answer any 4 out of the given 6 questions in 50– 80 words each (4 x 4 = 16 marks)**

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| <p>Q. 19</p> | <p>The trading member (TM) is required to enter into an agreement in the specified format provided by NSE.</p> <p>The agreement should contain all the clauses mentioned in Uniform Documentary Requirement (UDR).</p> <p>Under —Know Your Client (KYC) requirements, the TM should seek information such as: investor risk profile, financial profile, investor identification details, address details, income, PAN number, employment, age, investments experience, trading preference.</p> <p>Under Member Constituent Agreement (MCA), trading members are required to make the constituent/clients aware of (a) trading segment to which TM is admitted, (b) particulars of SEBI registration number, (c) the precise nature of the trading member ‘s liability for business to be conducted, (d) basic risks involved in trading on the Exchange</p> <p>In order to assess the risk involved in trading, TM is required to issue Risk Disclosure Document (RDD) in such format, as may be prescribed by the Exchange from time to time and should obtain the same from his constituents duly signed.</p> | <p>4</p> |
| <p>Q. 20</p> | <p>a) Unlisted corporate trading member<br/>b) foreign entities</p> <p>Ans: a. Unlisted corporate trading member: In case of an unlisted corporate trading member, there are three conditions under which the corporate trading member will be eligible to constitute dominant promoter group. These conditions are given below: If a person holds 51% of shares in the trading member corporate on his own or together with</p> <ol style="list-style-type: none"> <li>1) His relatives</li> <li>2) The support of strategic investors in such corporate trading member.</li> </ol> <p>b) Foreign entities : Foreign entities are allowed to take trading membership of the Exchange through their Indian subsidiary under the automatic approval route permitted by the government, subject to compliance with the following guidelines of the RBI in this regard .</p>   | <p>4</p> |
| <p>Q. 21</p> | <p>Ans: Market Watch</p> <p>The Market Watch window is the third window from the top of the screen that is always visible to the user. The Market Watch is the focal area for users. The purpose of Market Watch is to setup and view trading details of securities that are of interest to users. For each security in the Market Watch, market information is dynamically updated. Following are the key features of Market Watch Screen:</p> <p>For each security the following information is displayed:</p> <ol style="list-style-type: none"> <li>(a) the corporate action indicator —Ex/Cumll</li> <li>(b) the total buy order quantity available at best buy price</li> <li>(c) best buy price</li> <li>(d) best sell price</li> <li>(e) total sell order quantity available at best sell price</li> <li>(f) the last traded price</li> <li>(g) the last trade price change indicator and</li> <li>(i) the Percentage change from previous day’s closing price‘</li> </ol>  | <p>4</p> |

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| Q. 22 | <p>Ans: VAR is a single number, which encapsulates whole information about the risk in a portfolio. It measures potential loss from an unlikely adverse event in a normal market environment.</p> <p>The VAR margin will be charged on the net outstanding position (buy value-sell) of the respective clients on the respective securities across all open settlements. There would be no netting off of positions across different settlements. The net position at a client level for a member is arrived at and thereafter, it is grossed across all the clients including proprietary position to arrive at the gross open position.</p>  | 4 |
| Q. 23 | <p>Ans: Various products have been designed based on the indices such as the index derivatives, index funds<sup>2</sup> and the exchange traded funds. We here restrict our discussion to only index derivatives.</p> <p>Index derivatives are derivative contracts which have the index as the underlying. The most popular index derivative contracts the world over are index futures and index options. NSE's market index, the Nifty 50 was scientifically designed to enable the launch of index-based products like index derivatives and index funds. Index derivatives offer ease of use for hedging any portfolio irrespective of its composition.</p>   | 4 |
| Q. 24 | <p>Ans: The cost-of-carry ensures that the futures price stay in tune with the spot price. Whenever the futures price deviates substantially from its fair value, arbitrage opportunities arise.</p> <p>Say for instance, ABC Ltd. trades at Rs.1000. One-month ABC futures trade at Rs.1025 and seem overpriced. As an arbitrageur, you can make riskless profit by entering into the following set of transactions.</p> <ol style="list-style-type: none"> <li>1. On day one, borrow funds, buy the security on the cash/spot market at 1000.</li> <li>2. Simultaneously, sell the futures on the security at 1025.</li> <li>3. Take delivery of the security purchased and hold the security for a month.</li> <li>4. On the futures expiration date, the spot and the futures price converge. Now unwind the position.</li> <li>5. Say the security closes at Rs.1015. Sell the security.</li> <li>6. Futures position expires with profit of Rs. 10.</li> <li>7. The result is a riskless profit of Rs.15 on the spot position and Rs.10 on the futures position.</li> <li>8. Return the borrowed funds.</li> </ol> | 4 |