

CBSE | DEPARTMENT OF SKILL EDUCATION

FINANCIAL MARKETS MANAGEMENT (SUBJECT CODE: 805)

MARKING SCHEME FOR CLASS XII (SESSION 2023-2024)

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

Q. No.	QUESTION	Source Material (NCERT/PSS CIVE/ CBSE Study Material)	Unit/ Chap . No.	Page no. of source material	Marks
Q. 1	Answer any 4 out of the given 6 questions on Employability Skills (1 x 4 = 4 marks)				
i.	c. Non-responding	NCERT	2	5	1
ii.	d. Readable Time	NCERT	2	30	1
iii.	d. Row , column horizontal	NCERT	3	41	1
iv.	a. Tool Bar	NCERT	3	54	1
v.	d. It is the inability of an enterprise and an entrepreneur to take risks.	NCERT	4	80	1
vi.	b. Green Job	NCERT	4	112	1
Q. 2	Answer any 5 out of the given 7 questions (1 x 5 = 5 marks)				
i.	Primary Market provides an opportunity to the issuers of securities, both Government and corporations, to raise resources to meet their requirements of investment.	CBSE	1	1	1
ii.	b. the Intermediaries	CBSE	1	2	1

iii.	Demutualisation is a set up where ownership, management and trading are with three different sets of people.	CBSE	1	5	1
iv.	d. Professional Clearing member	CBSE	1	10	1
v.	a. Misconduct	CBSE	1	17	1
vi.	b. Margin	CBSE	1	24	1
vii.	c. Contract Note	CBSE	1	25	1
Q. 3	Answer any 6 out of the given 7 questions (1 x 6 = 6 marks)				
i.	d. Dealer	CBSE	2	35	1
ii.	d. Order Auction	CBSE	2	37	1
iii.	Surveillance and Control is that period after market close during which, the users have inquiry access only.	CBSE	2	37	1
iv.	a. In case of more than one of CD, CR, CB, CI	CBSE	2	43	1
v.	d. The user can modify orders from the outstanding orders screen.	CBSE	2	47	1
vi.	Price at which an order gets triggered from the stop loss book.	CBSE	2	60	1
vii.	Exchanges internationally are introducing co-location services to support high frequency trading using <u>Algorithmic Trading (ALGO)</u> and <u>Direct Market Access (DMA)</u> .	CBSE	2	65	1
Q. 4	Answer any 5 out of the given 6 questions (1 x 5 = 5 marks)				
i.	The process of delivering securities to the clearing corporation to effect settlement of a sale transaction.	CBSE	3	68	1
ii.	d. Clearing Regulator	CBSE	3	70	1
iii.	When a broker, custodian or the clearing corporation delivers fewer securities than what were contracted for either to another broker, a custodian or the clearing corporation	CBSE	3	76	1
iv.	d. Replacement cost margin	CBSE	3	85	1
v.	a. Buy Value-Sell Value	CBSE	3	87	1
vi.	Reserve Bank of India (RBI)	CBSE	3	93	1
Q. 5	Answer any 5 out of the given 6 questions (1 x 5 = 5 marks)				
i.	d. is a director	CBSE	3	96	1
ii.	a. Effective rate of return.	CBSE	4	112	1
iii.	c. Financial Analysis	CBSE	4	113	1
iv.	a. Liquidity	CBSE	4	117	1
v.	c. Leverage/Capital Structure	CBSE	4	119	1
vi.	b. Earnings Per Share	CBSE	4	121	1
Q. 6	Answer any 5 out of the given 6 questions (1 x 5 = 5 marks)				
i.	c. Arbitrageurs	CBSE	5	132	1
ii.	Lack of Centralization of Trading	CBSE	6	146	1
iii.	a. Initial margin	CBSE	6	148	1
iv.	b. Beta	CBSE	6	154	1
v.	These can be exercised at anytime up to the expiration date.	CBSE	6	159	1
vi.	a. Call In the Money	CBSE	6	160	1

SECTION B: SUBJECTIVE TYPE QUESTIONS

Q. No.	QUESTION	Source Material (NCERT/PSSCIVE/ CBSE Study Material)	Unit/ Chap. No.	Page no. of source material	Marks
<p>Answer any 3 out of the given 5 questions on Employability Skills in 20 – 30 words each (2 x 3 = 6 marks)</p>					
Q. 7	<ul style="list-style-type: none"> • Healthy diet: A healthy and balanced diet is important for a healthy body and mind. Eating a balanced diet, such as daal, roti, green vegetables and fruits. • Adequate sleep: A good night sleep for at least seven hours is important so that the mind and body can get recharged to function better the next day. 	NCERT	2	25,26	2
Q. 8	<p>Openness, Consciousness, Extraversion, Agreeableness and Neuroticism.</p> <ul style="list-style-type: none"> • Openness: Individuals with openness to experience are, generally, creative, curious, active, flexible and adventurous. If a person is interested in learning new things, meeting new people and making friends, and likes visiting new places, the person can be called open-minded. • Consciousness: Individuals, who listen to their conscience, are self-disciplined, do their work on time, take care of others before themselves and care about others' feelings. • Extraversion: Extroverts are individuals, who love interacting with people around and are, generally, talkative. A person, who can easily make friends and make any gathering lively, is confident and an extrovert. 	NCERT	2	33	2

	<ul style="list-style-type: none"> • Agreeableness: Individuals having such a trait are, generally, kind, sympathetic, cooperative, warm and considerate. They accommodate themselves in any situation. For example, people who help and take care of others are, generally, agreeable. • Neuroticism: Neuroticism is a trait, wherein, individuals show tendency towards anxiety, self-doubt, depression, shyness and other similar negative feelings. People, who have difficulty in meeting others and worry too much about things, show signs of neuroticism. (any one) 				
Q. 9	<ol style="list-style-type: none"> 1. Click on Insert from the menu. 2. Select Image. 3. Insert Image dialog box 4. Browse through folders and select the image you want to use. 	NCERT	3	75	2
Q. 10	The person carries out all entrepreneurial activities as inherited in the same manner or introduces certain technological advancements to the existing way and method of the family business.	NCERT	4	84	2
Q. 11	Startups can be started with minimum investment. Most startups thrive on an idea that involve technology or offer technology-driven solutions. For example, a lot of startups have started online food delivery. With the help of a robust app, they partner with food service providers or restaurants, and help in the home delivery of food.	NCERT	4	89	2
Answer any 3 out of the given 5 questions in 20 – 30 words each (2 x 3 = 6 marks)					
Q. 12	The use of Internet as an Order Routing System (ORS) for Communicating client 'orders to the Exchanges through brokers. ORS enables investors to place orders with his broker and have control over the information and quotes and to hit the quote on an on-line basis. Once	CBSE	2	64	2

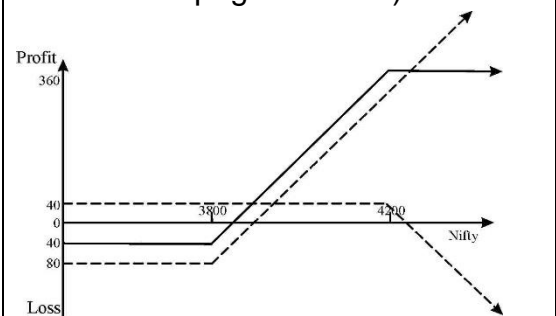
	the broker's system receives the order, it checks the authenticity of the client electronically and then routes the order to the appropriate Exchange for execution.				
Q. 13	The operational risk arises from possible operational failures such as errors, fraud, outages etc. The legal risk arises if the laws or regulations do not support enforcement of settlement obligations or are uncertain.	CBSE	3	83	2
Q. 14	(a) payment of dividend at a fixed rate during the life time of the Company; and (b) The return of capital on winding up of the Company.	CBSE	4	114	2
Q. 15	Impact cost is a practical and realistic measure of market liquidity; it is closer to the true cost of execution faced by a trader in comparison to the bid-ask spread.	CBSE	5	138	2
Q. 16	It is the period over which a contract trades. The index futures contracts on the NSE have one-month, two-month and three-month expiry cycles which expire on the last Thursday of the month.	CBSE	6	148	2

Answer any 2 out of the given 3 questions in 30– 50 words each (3 x 2 = 6 marks)

Q. 17	<p>1. Prejudicial business: making purchases or sales of securities or offers to purchase or sell securities for the purpose of upsetting equilibrium of the market.</p> <p>2. unwarrantable business effects purchases or sales for its constituent's account or for any account in which it is directly or indirectly interested in view of its constituent's or its own means and financial resources</p> <p>3. Unsatisfactory financial condition: When the relevant authority finds that the trading member is in a bad financial condition.</p>	CBSE	1	18	3
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Q. 18	<ul style="list-style-type: none"> • If the combined quantity of one or more matching orders on the opposite side of the regular lot book is equal to or more than the quantity of active order, the active order is completely traded. • If the combined quantity of one or more matching orders on the opposite side of the regular lot book is equal to or less than the quantity of active order, the active order is partially traded. • If after trading any quantity is left untraded, the order is added to the regular lot book in the price/time priority. 	CBSE	2	63	3
Q. 19	<ul style="list-style-type: none"> • Liquid (Group I) Equity Shares in demat form. Haircuts applied are equivalent to the VaR margin for the respective securities. • Mutual fund units Haircut equivalent to the VaR margin for the units computed using the traded price • Corporate bonds in demat form as decided by NSCCL from time to time with haircuts as specified by NSCCL. 	CBSE	3	84	3
Answer any 3 out of the given 5 questions in 50– 80 words each (4 x 3 = 12 marks)					
Q. 20	<p>I. Trading Member: This category of membership entitles a member to execute trades on his own account as well as on account of his clients.</p> <p>II. Trading cum self-clearing member: This category of membership entitles a member to execute trades and to clear and settle the trades executed on his own account as well as on account of his clients.</p> <p>III. Trading cum clearing member: This category of membership entitles a member to execute trades on his own account as well as on account of his clients and to clear and settle trades executed by themselves as well as by other trading members</p>	CBSE	1	9,10	4

	<p>IV. Professional Clearing member: This category of membership entitles a member to clear and settle trades of such members of the Exchange who choose to clear and settle their trades through this member.</p>				
Q. 21	<ul style="list-style-type: none"> • It electronically matches orders on a strict price/time priority. • It allows faster incorporation of price sensitive information into prevailing prices, thus increasing the informational efficiency of markets. • It enables market participants, irrespective of their geographical locations, to trade with one another simultaneously, improving the depth and liquidity of the market. • It provides full anonymity by accepting orders, big or small, from members without revealing their identity, thus providing equal access to everybody. 	CBSE	2	32	4
Q. 22	<p>Security sigma: It means the volatility of the security computed as at the end of the previous trading day. The computation uses the exponentially weighted moving average method applied to daily.</p> <p>Security VaR: It means the highest of 7.5% or 3.5 security sigma.</p> <p>Index sigma: It means the daily volatility of the market index computed as at the end of the previous trading day. The computation uses the exponentially weighted moving average method applied to daily returns.</p> <p>Index VaR: It means the higher of 5% or 3 index sigma. The higher of the Sensex VaR or Nifty VaR would be used for this purpose.</p>	CBSE	3	86	4
Q. 23	<ul style="list-style-type: none"> • Institutional and large equity-holders need portfolio-hedging facility. Indexderivatives are more suited to them and more cost-effective than derivatives based on individual stocks. • Index derivatives offer ease of use for hedging any portfolio irrespective of its composition. 	CBSE	5	140	4

	<ul style="list-style-type: none"> • Stock index is difficult to manipulate as compared to individual stock prices, more so in India, and the possibility of cornering is reduced. • Stock index, being an average, is much less volatile than individual stock prices. This implies much lower capital adequacy and margin requirements. 				
<p>Q. 24</p>	<p>The buyer of a bull spread buys a call with an exercise price below the current index level and sells a call option with an exercise price above the current index level. The spread is a bull spread because the trader hopes to profit from a rise in the index. The trade is a spread because it involves buying one option and selling a related option. Compared to buying the underlying asset itself, the bull spread with call options limits the trader's risk, but the bull spread also limits the profit potential. (Read example from the CBSE Book page 171-173)</p> 	<p>CBSE</p>	<p>6</p>	<p>171-173</p>	<p>4</p>