Delhi Public School, Howrah

PERIODIC TEST III - (2025-2026)

Class-XII

Care must be taken not to write anything on the question paper. All the questions must be attempted in the correct sequence.

SUBJECT: FINANCIAL MARKETS MANAGEMENT (CODE-805)

Time Allowed: - 3 Hours **Maximum 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.1 Answer any 4 out of the given 6 questions on Employability skills (1 x 4 = 4 marks)

i. Which of the following is an example of a psychological barrier to communication?

A. Noise
B. Poor lighting
C. Anxiety
D. Long distance

ii. During word processing, "Track Changes" feature is mainly used to_____.

A. Format text
B. Insert images
C. Record edits
D. Add tables

iii. An entrepreneur who starts a new business with innovative ideas and accepts risks is called_____.

A. Drone entrepreneur
B. Fabian entrepreneur
C. Innovative entrepreneur
D. Imitative entrepreneur

iv. A resume should ideally highlight_____.

A. Only hobbies
B. Career gaps
C. Skills and achievements
D. All previous salaries

v. A good decision-making process includes_____.

A. Acting before thinking
B. Avoiding options
C. Evaluating alternatives
D. None of the above

vi. The ability to manage emotions and handle stress effectively refers to_____.

A. Self-awareness
B. Self-management
C. Teamwork
D. Leadership

Q.2 Answer any 5 out of the given 7 questions (1 x 5 = 5 marks)

i. Explain the term Professional Clearing Member.

ii. Who regulates the securities market in India?

A. RBI
B. SEBI
C. MCA
D. NSDL

iii. What is meant by Screen Based Trading?

iv. Which type of member can trade and clear only their own trades?

A. Trading Member
B. Self-clearing Member
C. Professional Clearing Member
D. Institutional Member

v. Market Abuse by members is considered as _____.

A. Good conduct
B. Professional conduct
C. Misconduct
D. Neutral conduct

vi. The unique identification assigned to each investor is known as _____.

A. Client Code
B. ISIN
C. DP ID
D. PAN Code

vii. A document showing confirmation of trades executed for a client is called_____.

A. Trade Note
B. Contract Note
C. Settlement Note
D. Margin Note

Q.3 Answer any 6 out of the given 7 questions (1 x 6 = 6 marks)

i. In market operations, a person who provides two-way quotes is known as_____.

A. Broker
B. Client
C. Jobber
D. Dealer

ii. Elucidate the concept of Order-driven system.

iii. The "Post-closing session" in stock markets is used for_____.

A. Modifying trades
B. Inquiry access and closing price calculation
C. Placing fresh market orders
D. Delivery of securities

iv. Good-till-day orders remain valid_____.

A. Till cancelled
B. Till next trading cycle
C. During the specified trading day
D. For one settlement cycle

v. Stop-loss trigger price helps_____.

A. Determine final settlement
B. Define the price at which stop-loss order shifts to regular market
C. Calculate margins
D. Close the market depth

vi. What does insider trading refer to in the context of dealing in securities?

vii. Name the entity which guarantees settlement of securities.

Q.4 Answer any 5 out of the given 6 questions (1 x 5 = 5 marks)

i. What is meant by SURCON?

ii. DMA enables_____.

A. Direct access to exchange servers by clients
B. Trading only through physical slips
C. Brokers to avoid margins
D. Only institutional investors to trade

iii. What is short delivery?

iv. High-frequency trading is supported by_____.

A. Voice-based terminals
B. Manual order entry
C. Co-location facilities
D. Offline trading windows

v. A ratio that evaluates the firm's long-term solvency is_____.

A. Current ratio
B. Quick ratio
C. Debt-equity ratio
D. Stock turnover ratio

vi. Financial leverage helps to measure _____.

Q.5 Answer any 5 out of the given 6 questions (1 x 5 = 5 marks)

i. Arbitrage is the practice of_____.

A. Hoarding
B. Buying and selling in different markets to earn risk-free profit
C. Borrowing shares to short sell
D. Trading without margins

ii. Lack of centralised trading in derivatives may lead to_____.

A. Higher transparency
B. Pricing inconsistency
C. Lower volatility
D. Efficient settlement

iii. “Beta” measures_____.

A. Return of stock
B. Risk of a stock relative to market
C. Profit margin
D. Liquidity

iv. Futures contracts on the exchange expire on_____.

A. First Monday
B. Last Thursday of the month
C. Last Friday
D. Last trading day of quarter

v. American options can be exercised_____.

A. Only on expiry
B. Anytime up to expiry
C. Only on weekend
D. Only before expiry day ends

vi. A call option is in-the-money when_____.

A. Strike price > Spot price
B. Spot price > Strike price
C. Premium = Zero
D. It is not traded.

Q.6 Answer any 5 out of the given 6 questions (1 x 5 = 5 marks)

i. Futures contracts are settled_____.

A. Immediately
B. On expiry
C. Randomly
D. Any time

ii. Forward contracts are primarily exposed to what type of risk?

iii. The minimum balance required in a futures margin account is called_____.

A. Initial Margin
B. Maintenance Margin
C. Holding Margin
D. Balance Margin

iv. MTM losses must be paid_____.

A. Weekly
B. Daily
C. Monthly
D. Half-yearly

v. What is European Option?

vi. When strike price > spot price, the Put option is_____.

A. Out of the money
B. Deep out of money
C. In the money
D. Neutral

SECTION B: SUBJECTIVE TYPE QUESTIONS

Answer any 3 out of the given 5 questions on Employability Skills. Answer each question in 20-30 words (2 x 3 = 6 marks)

Q7. State two advantages of digital communication.
Q8. Explain 'Self-Regulation' with example.
Q9. What is the role of slide transition in presentations?
Q10. Define Social Entrepreneur with one example.
Q11. What is e-waste? Mention one hazard caused by it.

Answer any 3 out of the given 5 questions in 20-30 words (2 x 3 = 6 marks)

Q.12 Explain how Internet Trading improves transparency in order placement and execution.
Q.13 Distinguish between settlement risk and operational risk.
Q.14 State two advantages enjoyed by preference shareholders.
Q.15 Define Impact Cost. How is it different from bid-ask spread?
Q.16 What is the contract cycle in derivatives trading?

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

Q.17 Explain any three circumstances under which SEBI may suspend a trading member.

Q.18 Describe the process followed when an active order is matched in the order book.

Q.19 Explain the types of securities accepted as collateral by a clearing corporation.

Answer any 3 out of the given 5 questions in 50-80 words each (4 x 3 = 12 marks)

Q.20 Explain the different categories of membership in a stock exchange.

Q.21 Describe Long Put and Short Put positions with payoff examples.

Q.22 A large technology company, Tech Nova Ltd., has recently improved its credit rating and announced a new leadership team with extensive global experience. Investors believe these changes will improve the company's decision-making and long-term growth.

At the same time, the company has also reported lower levels of debt and strong liquidity ratios.

(a) Which factor related to management is influencing Tech Nova's share valuation?

(b) How do improved financial ratios help increase the valuation of equity shares?

Q.23 A portfolio manager, Mr. Arvind, manages investments for several clients. His clients hold a diversified portfolio of 40 different stocks from various sectors. Arvind is concerned about potential market-wide volatility due to upcoming economic announcements. Instead of selling the stocks or hedging each stock individually, he decides to use index derivatives to protect the entire portfolio.

He explains to his intern that index derivatives are more suitable for hedging broad portfolios than individual stock derivatives.

(a) Why would Arvind prefer index derivatives over individual stock derivatives for hedging?

(b) Why is selling the entire portfolio not considered as an appropriate option in this situation?

Q.24 A clearing corporation issues a daily risk bulletin to all trading members. In this bulletin, it explains how volatility and risk values are calculated to determine the margin requirements for both individual securities and the overall market index.

The bulletin states that Security Sigma and Index Sigma represent the daily volatility of a security and the index respectively, calculated using the Exponentially Weighted Moving Average (EWMA) method. Based on these volatility values, the clearing corporation determines Security VaR and Index VaR. The bulletin also mentions that Security VaR is the higher of a minimum percentage or a multiple of Security Sigma, while Index VaR is the higher of a prescribed minimum percentage or a multiple of Index Sigma.

It further explains that while calculating margins, the clearing corporation always applies the higher index VaR between the major market indices to ensure adequate risk coverage.

(a) How is Security VaR conceptually different from Security Sigma?

(b) What does Index Sigma measure, and why is it important?