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CLASS X · INTRODUCTION TO FINANCIAL MARKETS (405) · SKILL SUBJECT · CBSE BOARD EXAMINATION 2027

PART B · UNIT 9

Concepts and Modes of Analysis

Unit Booklet · Short Notes · Board-Pattern Questions · Model Answers

Part B · 6 of 40 theory marks | 29 questions with model answers | Manish Mathur Sir

Taught: Sat 28 Nov (with Unit 10)

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STUDENT DETAILS

NAME _____

CLASS & SECTION _____

ROLL NO. _____

UNIT FINISHED ON _____

OBJECTIVE SELF-CHECK _____ / 17

1

READ THIS FIRST · SHORT NOTES

Unit Notes

The time value of money with simple interest, compound interest, effective annual return and present value; the annual report (income statement and position statement); sources and applications of funds; types of share capital; secured and unsecured loans and how a company takes a bank loan.

THIS UNIT IN THE BOARD PAPER

6 / 40

Unit 9 carries **6 marks**. In the CBSE sample paper it gave **2 one-mark items** (net working capital, authorised capital), a **2-mark** question on the time value of money and a **4-mark** question on the types of share capital.

SYLLABUS 2026–27 · WHAT CBSE LISTS FOR THIS UNIT

- Time value of money: simple interest, compound interest, effective annual return
- Annual report: income statement and position statement; sources of funds
- Accounting terms: secured and unsecured loans, gross block and net block, profit and loss statement, applications of funds
- Financial needs of companies; loan procedure and its requirements

HOW THE CBSE SKILL-SUBJECT PAPER IS SET (THEORY 50 MARKS · 2 HOURS)

1 mark
Objective: MCQ, assertion–reason, fill in the blank, true/false, match. Q1 is Part A; Q2–Q5 (answer 5 of 6 in each) are Part B.

2 marks
Short answer in **20–30 words**: two clear points. Part B: answer any 4 of 6 (Q11–Q16).

4 marks
Long answer in **50–80 words**: four points, or 2 + 2. Answer any 3 of 5 (Q17–Q21); often case-based.

Part B = 40
Objective 20 + short 8 + long 12. Part A (Employability Skills) = 10. Practical = 50.

Write in points, start each point with the key word, and stay inside the word limit. Objective answers: write the option letter **and** the answer.

PRACTICAL WORK FOR THIS UNIT

Interest sums on a scientific calculator · compare simple and compound interest for 1–5 years · draw an income statement and a position statement from given figures · list the documents a bank asks for in a company loan.

1 Time value of money

Time value of money (TVM): a rupee **today** is worth more than a rupee received in the **future**.

- Money in hand today can be **invested** to earn interest.
- **Inflation** lowers what the same money can buy later.
- Future money carries **risk** – it may not be received.

So money received at different times is compared only after adding interest (future value) or removing it (present value).

2 Simple and compound interest

- **Simple interest:** interest only on the original amount (principal). **SI = P × R × T ÷ 100**.
- **Compound interest:** interest is added to the principal and the next interest is earned on the total – **interest on interest**. **Amount A = P × (1 + R/100)^{T}**; CI = A – P.

₹10,000 at 8% a year	After 1 year	After 2 years	Interest
Simple	₹10,800	₹11,600	SI = 10,000 × 8 × 2 ÷ 100 = **₹1,600**
Compound (yearly)	₹10,800	10,000 × 1.08 × 1.08 = ₹11,664	CI = **₹1,664**

The extra ₹64 is interest earned in year 2 on the ₹800 interest of year 1 (800 × 8% = 64).

3 Effective annual return

Effective annual return (EAR): the real yearly return when interest is compounded more than once a year. **EAR = (1 + r/m)^{m} – 1**, where r = yearly rate and m = number of times interest is added in a year.

12% a year, added	m	Working	EAR
Yearly	1	1.12 – 1	12.00%
Half-yearly	2	$(1.06)^2 - 1 = 0.1236$	12.36%
Quarterly	4	$(1.03)^4 - 1 = 0.1255$	12.55%
Monthly	12	$(1.01)^{12} - 1 = 0.1268$	12.68%

The more often interest is added, the higher the effective return.

4 Present value

- **Present value (PV):** today's value of money to be received later. **PV = FV ÷ (1 + r)^{n}**.
- It is compound interest worked backwards.

WORKED EXAMPLE

₹11,664 to be received after 2 years at 8%: PV = 11,664 ÷ $(1.08)^2$ = 11,664 ÷ 1.1664 = **₹10,000**.

5 The annual report

Annual report: the yearly report a company gives its shareholders. Its main financial statements are the **income statement** and the **position statement**.

	Income statement	Position statement
Other name	Profit and loss statement	Balance sheet
Shows	Income, expenses and **profit or loss**	**Assets**, liabilities and owners' funds
Time	For a **period** (e.g. the year 2026–27)	On a particular **date** (e.g. 31 March 2027)

Income statement (₹)	Amount
Sales (revenue from operations)	20,00,000
Less: cost of goods sold	14,00,000
Gross profit	**6,00,000**
Less: salaries, rent, depreciation	3,00,000
Operating profit (EBIT)	**3,00,000**
Less: interest	50,000
Profit before tax	2,50,000
Less: tax	50,000
Net profit	**2,00,000**

6 Sources and applications of funds

Sources of funds (where money comes from)	₹ lakh	Applications of funds (where it is used)	₹ lakh
Share capital	30	Net block (gross block 50 – depreciation 12)	38
Reserves and surplus	8	Investments	4
Secured loans	10	Net current assets (current assets 18 – current liabilities 10)	8
Unsecured loans	2		
Total	**50**	**Total**	**50**

- **Shareholders' funds** = share capital + reserves (30 + 8 = 38). **Loan funds** = secured + unsecured loans (10 + 2 = 12).
- **Gross block:** total cost of fixed assets (land, building, machinery). **Net block** = gross block – depreciation.
- **Net current assets (net working capital)** = current assets – current liabilities.
- Total sources always equal total applications – every rupee raised is used somewhere.

7 Types of share capital

Type	Meaning
Authorised capital	**Maximum** capital the company may raise, as written in its Memorandum of Association
Issued capital	Part of authorised capital **offered** to the public
Subscribed capital	Part of issued capital the public actually **takes up**
Called-up capital	Part of the face value the company has **asked** shareholders to pay
Paid-up capital	Called-up money actually **received** = called-up – calls in arrears
Uncalled capital	Subscribed capital not yet called

WORKED EXAMPLE

Authorised: 10,00,000 shares of ₹10. Issued 6,00,000; subscribed 5,50,000. ₹8 per share called. Called-up = 5,50,000 × 8 = ₹44,00,000. Calls in arrears ₹40,000, so **paid-up = ₹43,60,000**. Uncalled = 5,50,000 × 2 = ₹11,00,000.

8 Accounting terms

Term	Meaning
Assets	What the company owns: buildings, machines, stock, cash
Liabilities	What the company owes to outsiders: loans, creditors
Depreciation	Fall in value of a fixed asset through use and age
Current assets	Turn into cash within a year: stock, debtors, cash, bank
Current liabilities	Due within a year: creditors, bills payable, short-term loans
Reserves and surplus	Profits kept back in the business

9 Financial needs, secured and unsecured loans

- **Fixed capital:** long-term money for land, building and machinery.
- **Working capital:** short-term money for raw material, wages and daily expenses.

	Secured loan	Unsecured loan
Security	Backed by a **charge on assets** (mortgage, hypothecation)	**No security**; given on goodwill and credit record
Interest	Lower	Higher
Examples	Bank term loan against machinery; secured debentures	Public deposits; loans from directors; commercial paper

10 Loan procedure

1. **Assess the need** – amount, purpose and period.
2. **Apply** with documents: project report, last three years' audited accounts, KYC of the company and directors, board resolution, income tax returns.
3. **Appraisal** – the bank checks credit record, repayment capacity and the value of the security.
4. **Sanction letter** – states the amount, rate, period, instalments and security.
5. **Documentation** – loan agreement signed; charge created on the security.
6. **Disbursement and repayment** – money released; repaid in instalments (EMIs) with interest.

Key terms

16 terms

Time value of money: money today is worth more than later

Principal: original amount lent or invested

Simple interest: interest on principal only

Compound interest: interest on principal and past interest

Effective annual return: real yearly return after compounding

Present value: today's value of future money

Income statement: profit or loss for a period

Position statement: balance sheet on a date

Gross block: total cost of fixed assets

Net block: gross block – depreciation

Net working capital: current assets – current liabilities

Authorised capital: maximum capital allowed

Paid-up capital: called-up – calls in arrears

Calls in arrears: called money not yet paid

Secured loan: loan backed by assets

Unsecured loan: loan without security

Common mistakes and exam tips

AVOID THESE

- Write the formula first, then put the numbers in – formula and answer get separate marks.
- Compound interest is always more than simple interest after the first year.
- EAR rises as interest is added more often: yearly < half-yearly < quarterly < monthly.
- Capital order: authorised ≥ issued ≥ subscribed ≥ called-up ≥ paid-up.
- Income statement = a **period**; position statement = a **date**.

PART A · 1 MARK EACH

A Objective Questions

17 questions: MCQs, assertion–reason, fill in the blanks and true/false, like Q2–Q5 of the board paper. Answers in Part E.

ASSERTION–REASON: HOW TO ANSWER

(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.

A1. 'A rupee today is worth more than a rupee a year later.' This idea is called: [1]

(a) Inflation
(b) Time value of money
(c) Dividend yield
(d) Liquidity

A2. Simple interest on ₹5,000 at 10% a year for 3 years is: [1]

(a) ₹500
(b) ₹1,500
(c) ₹1,655
(d) ₹15,000

A3. Current assets minus current liabilities is called: [1]

(a) Net block
(b) Net working capital
(c) Paid-up capital
(d) Gross block

A4. The maximum share capital a company is allowed to raise is its: [1]

(a) Issued capital
(b) Subscribed capital
(c) Authorised capital
(d) Paid-up capital

A5. Gross block ₹40 lakh and depreciation ₹9 lakh. The net block is: [1]

(a) ₹49 lakh
(b) ₹31 lakh
(c) ₹9 lakh
(d) ₹40 lakh

A6. The statement showing a company's assets and liabilities on a given date is the: [1]

(a) Income statement
(b) Position statement
(c) Cash book
(d) Prospectus

A7. A loan backed by a mortgage of the factory building is: [1]

(a) An unsecured loan
(b) A secured loan
(c) A public deposit
(d) Share capital

A8. Which of these is a source of funds? [1]

(a) Investments
(b) Net block
(c) Reserves and surplus
(d) Net current assets

A9. ₹10,000 at 12% a year compounded half-yearly grows in 1 year to: [1]

(a) ₹11,200
(b) ₹11,236
(c) ₹11,255
(d) ₹11,268

A10. ASSERTION–REASON [1]

Assertion (A): The effective annual return is higher than 12% when 12% is compounded quarterly.

Reason (R): In compounding, interest is also earned on earlier interest.

(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.

A11. ASSERTION–REASON [1]

Assertion (A): Paid-up capital can be more than called-up capital.

Reason (R): Calls in arrears are subtracted from called-up capital to get paid-up capital.

(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.

A12. FILL IN THE BLANK [1]

SI = P × R × T ÷ _____.

A13. FILL IN THE BLANK [1]

Gross block − depreciation = _____.

A14. FILL IN THE BLANK [1]

The part of subscribed capital that shareholders have been asked to pay is _____ capital.

A15. TRUE OR FALSE [1]

Interest earned on a fixed deposit is an example of the time value of money.

A16. TRUE OR FALSE [1]

Unsecured loans usually carry a lower rate of interest than secured loans.

A17. TRUE OR FALSE [1]

The income statement shows the profit or loss for a period of time.

B — Short Answer Questions

PART B · 2 MARKS EACH

Answer in 20–30 words: two clear points. Model answers in Part E.

B1. What is meant by the time value of money? MUST DO [2]

B2. Find the simple interest and compound interest on ₹10,000 at 8% a year for 2 years. MUST DO [2]

B3. Differentiate between an income statement and a position statement. [2]

B4. What is effective annual return? Find it for 12% a year compounded quarterly. [2]

B5. Differentiate between secured and unsecured loans. [2]

B6. What is net working capital? Find it if current assets are ₹18 lakh and current liabilities ₹10 lakh. [2]

C — Long Answer Questions

PART C · 4 MARKS EACH

Answer in 50–80 words: four points, or two points with an example each. Model answers in Part E.

C1. Explain the types of share capital. MUST DO [4]

C2. A company has 5,50,000 subscribed shares of ₹10 each. ₹8 per share has been called and calls in arrears are ₹40,000. Find the (a) subscribed (b) called-up (c) paid-up (d) uncalled capital. [4]

MUST DO

C3. Explain the sources and applications of funds shown in a position statement. [4]

C4. Explain the procedure a company follows to take a loan from a bank. [4]

D

PART D · CASE AND COMPETENCY BASED

Case-Based Questions

Read the situation, then answer from it and from the unit. These are the 4-mark board questions that test application.

D1. Case-Based · Two ways to grow ₹50,000 [4]

Arjun's father wants to keep ₹50,000 for 2 years for a scooter. Bank A offers 10% a year **simple** interest. Bank B offers 10% a year **compounded yearly**.

(i) Find the amount after 2 years in Bank A. [1]

(ii) Find the amount after 2 years in Bank B. [1]

(iii) Which bank is better? How does this case show the time value of money? [2]

D2. Competency-Based · Reading a position statement [4]

Figures of Sunrise Tools Ltd (₹ lakh): share capital 30, reserves 8, secured loans 10, unsecured loans 2, gross block 50, depreciation 12, investments 4, current assets 18, current liabilities 10.

(i) Find the total sources of funds. [1]

(ii) Find the net block and the net working capital. [1]

(iii) Show that total applications equal total sources. Why must they be equal? [2]

E

PART E · ANSWERS IN CBSE MARKING-SCHEME STYLE

Answers

Objective key with a reason, then model answers: numbered value points, key word first, the mark for each point in orange, and the word count under each answer. Any other correct, relevant point also earns the mark.

Objective questions – answer key

Part A

Write the option letter **and** the answer, as the marking scheme does.

Q	Answer	Why (one line)
A1	**(b) Time value of money**	Money today can earn interest.
A2	**(b) ₹1,500**	5,000 × 10 × 3 ÷ 100 = 1,500. (₹1,655 is the compound interest.)
A3	**(b) Net working capital**	Also called net current assets.
A4	**(c) Authorised capital**	Fixed in the Memorandum of Association.
A5	**(b) ₹31 lakh**	40 – 9 = 31.
A6	**(b) Position statement**	Balance sheet = position on a date.
A7	**(b) A secured loan**	It has a charge on an asset.
A8	**(c) Reserves and surplus**	The rest are applications.
A9	**(b) ₹11,236**	10,000 × 1.06 × 1.06 = 11,236.
A10	**(a) Both true; R explains A**	R explains A (EAR = 12.55%).
A11	**(d) A false, R true**	A is false – paid-up can only be equal or less; R is true.
A12	**100**	R is a percentage.
A13	**net block**	Fixed assets at book value.
A14	**called-up**	Paid-up is the part actually received.
A15	**True**	Money grows with time.
A16	**False**	Correct: unsecured loans usually carry a higher rate; the lender has no security to fall back on.
A17	**True**	The balance sheet is on a date.

Short answers

Part B · 2 marks

B1. What is meant by the time value of money? [2]

1. **Meaning:** a rupee today is worth more than a rupee in the future. 1
2. **Reason:** money today can be invested to earn interest; inflation also lowers its later value. 1

28 words · CBSE asks 20–30 words | Marking: 1 + 1 = 2 | 1 + 1 | MUST DO

B2. Find the simple interest and compound interest on ₹10,000 at 8% a year for 2 years. [2]

1. **SI:** 10,000 × 8 × 2 ÷ 100 = ₹1,600. 1
2. **CI:** 10,000 × $(1.08)^2$ = ₹11,664; CI = ₹1,664. 1

19 words · CBSE asks 20–30 words | Marking: 1 + 1 = 2 | 1 + 1 | MUST DO

B3. Differentiate between an income statement and a position statement. [2]

1. **Income statement:** shows income, expenses and profit or loss for a period, e.g. a year. 1
2. **Position statement:** the balance sheet; shows assets and liabilities on a particular date. 1

28 words · CBSE asks 20–30 words | Marking: 1 + 1 = 2 | 1 + 1

B4. What is effective annual return? Find it for 12% a year compounded quarterly. [2]

1. **Meaning:** actual yearly return after compounding: $(1 + r/m)^m - 1$. 1
2. **Value:** $(1.03)^4 - 1 = 0.1255 = 12.55\%$. 1

22 words · CBSE asks 20–30 words | Marking: 1 + 1 = 2 | 1 + 1

B5. Differentiate between secured and unsecured loans. [2]

1. **Secured:** backed by security such as a mortgage of property; lower interest. 1
2. **Unsecured:** no security, given on goodwill; higher interest, e.g. public deposits. 1

23 words · CBSE asks 20–30 words | Marking: 1 + 1 = 2 | 1 + 1

B6. What is net working capital? Find it if current assets are ₹18 lakh and current liabilities ₹10 lakh. [2]

1. **Meaning:** current assets minus current liabilities. 1
2. **Value:** 18 − 10 = ₹8 lakh. 1

13 words · CBSE asks 20–30 words | Marking: 1 + 1 = 2 | 1 + 1

Long answers

Part C · 4 marks

C1. Explain the types of share capital. [4]

1. **Authorised:** maximum capital allowed by the Memorandum of Association. 1
2. **Issued:** part of authorised capital offered to the public. 1
3. **Subscribed:** part of issued capital actually taken up by the public. 1
4. **Called-up and paid-up:** called-up is the amount asked for; paid-up = called-up − calls in arrears. 1

45 words · CBSE asks 50–80 words | Marking: 1 + 1 + 1 + 1 = 4 | 1 mark each | MUST DO

C2. A company has 5,50,000 subscribed shares of ₹10 each. ₹8 per share has been called and calls in arrears are ₹40,000. Find the (a) subscribed (b) called-up (c) paid-up (d) uncalled capital. [4]

1. **(a) Subscribed:** 5,50,000 × 10 = ₹55,00,000. 1
2. **(b) Called-up:** 5,50,000 × 8 = ₹44,00,000. 1
3. **(c) Paid-up:** 44,00,000 − 40,000 = ₹43,60,000. 1
4. **(d) Uncalled:** 5,50,000 × 2 = ₹11,00,000. 1

28 words · CBSE asks 50–80 words | Marking: 1 + 1 + 1 + 1 = 4 | 1 mark each | MUST DO

C3. Explain the sources and applications of funds shown in a position statement. [4]

1. **Shareholders' funds:** share capital plus reserves and surplus. 1
2. **Loan funds:** secured and unsecured loans. 1
3. **Fixed assets and investments:** net block (gross block – depreciation) and long-term investments. 1
4. **Net current assets:** current assets – current liabilities. 1

35 words · CBSE asks 50–80 words | Marking: 1 + 1 + 1 + 1 = 4 | 1 mark each

C4. Explain the procedure a company follows to take a loan from a bank. [4]

1. **Need:** decide the amount, purpose and period. 1
2. **Application:** apply with project report, audited accounts, KYC and board resolution. 1
3. **Appraisal and sanction:** bank checks credit record, repayment capacity and security, then issues a sanction letter. 1
4. **Documentation and disbursement:** agreement signed, charge created on security; money released and repaid in EMIs. 1

49 words · CBSE asks 50–80 words | Marking: 1 + 1 + 1 + 1 = 4 | 1 mark each

Case-based answers

Part D

D1. Case-Based · Two ways to grow ₹50,000 (passage printed in Part D) [4]

(i) Find the amount after 2 years in Bank A. [1]

SI = 50,000 × 10 × 2 ÷ 100 = ₹10,000. Amount = **₹60,000**.

(ii) Find the amount after 2 years in Bank B. [1]

50,000 × 1.10 × 1.10 = **₹60,500**.

(iii) Which bank is better? How does this case show the time value of money? [2]

Bank B – it gives ₹500 more because interest is earned on interest. ₹50,000 today becomes ₹60,500 in two years, so money in hand today is worth more than the same money received later.

Marking: 1 + 1 + 2 = 4 | 1 + 1 + (1 + 1)

D2. Competency-Based · Reading a position statement (passage printed in Part D) [4]

(i) Find the total sources of funds. [1]

30 + 8 + 10 + 2 = **₹50 lakh**.

(ii) Find the net block and the net working capital. [1]

Net block = 50 − 12 = **₹38 lakh**; net working capital = 18 − 10 = **₹8 lakh**.

(iii) Show that total applications equal total sources. Why must they be equal? [2]

Applications = 38 + 4 + 8 = **₹50 lakh** = sources. They must match because every rupee the company raises is used for some asset.

Marking: 1 + 1 + 2 = 4 | 1 + 1 + (1 + 1)