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

PART B · UNIT 1

Investment Basics

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

Part B · 2 of 40 theory marks | 24 questions with model answers | Manish Mathur Sir | Taught: Mon 23 Nov

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STUDENT DETAILS

NAME _____

CLASS & SECTION _____

ROLL NO. _____

UNIT FINISHED ON _____

OBJECTIVE SELF-CHECK _____ / 15

1

READ THIS FIRST · SHORT NOTES

Unit Notes

Saving and investment, the main investment options and how to work out a return, then the basic words of the market: stock exchange, equity, debt, derivative, index, mutual fund, depository and dematerialisation.

THIS UNIT IN THE BOARD PAPER

2 / 40

Unit 1 carries **2 marks** of the 40, but its terms run through the whole subject. In the CBSE sample paper it gave **4 one-mark items**: bonds, derivatives, index and dematerialisation. Learn every definition word-perfect.

SYLLABUS 2026–27 · WHAT CBSE LISTS FOR THIS UNIT

- Saving and investment; related terms
- Investment options; calculating a return
- Stock exchange; India's recognised exchanges
- Equity, debt instrument, derivative, index
- Mutual funds, depository, dematerialisation

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.

1 Saving and investment

	Saving	Investment
Meaning	Part of income **not spent**, kept aside	Putting savings into an **asset** that is expected to earn more money
Example	Cash at home, savings bank account	Shares, bonds, mutual funds, fixed deposits, gold, property
Return	Nil or low	Higher (interest, dividend, rise in value)
Risk	Very low	Low to high, depending on the asset
Aim	Safety and ready cash	Growth of wealth over time

Why invest? To beat **inflation** (rising prices reduce what money can buy), to grow wealth, to meet goals such as education, a house or retirement, and to earn a regular income.

2 Key investment terms

- **Return:** what the investor earns – interest, dividend or rise in price (capital gain).
- **Risk:** the chance that the actual return is lower than expected, or that money is lost.
- **Risk–return trade-off:** a higher expected return comes with a higher risk.
- **Liquidity:** how quickly an investment can be turned into cash without loss.
- **Inflation:** a general rise in prices over time.
- **Diversification:** spreading money over different investments to reduce risk ("do not put all eggs in one basket").
- **Interest:** income on a deposit or loan.
  Dividend: share of a company's profit paid to shareholders.

3 Investment options

Option	Return	Risk	Liquidity
Bank / post office fixed deposit	Fixed interest	Low	Medium (penalty on early withdrawal)
PPF, NSC (small savings)	Fixed, tax benefits	Very low	Low (long lock-in)
Bonds and debentures	Fixed interest (coupon)	Low–medium	Medium
Equity shares	Dividend + capital gain	High	High (listed shares)
Mutual funds	Depends on the scheme	Low–high	High
Gold, real estate	Rise in value	Medium	Low (property)

Financial assets: deposits, shares, bonds, mutual fund units. Physical assets: gold, land, house.

4 Working out a return

Return (%) = (Selling price – Buying price + Income received) ÷ Buying price × 100

WORKED EXAMPLE

Bought a share for ₹200, got a dividend of ₹10, sold it for ₹230.
Return = (230 – 200 + 10) ÷ 200 × 100 = 40 ÷ 200 × 100 = **20%**.

DEPOSIT

₹10,000 in a one-year deposit at 7% a year earns 10,000 × 7 ÷ 100 = **₹700** interest; maturity value ₹10,700.

5 Stock exchange

Stock exchange: an organised, regulated market where existing securities such as shares, bonds and derivatives are bought and sold through registered stock brokers.

- **BSE** (Bombay Stock Exchange), Mumbai, started **1875** – the oldest stock exchange in Asia. Index: **Sensex** (30 shares).
- **NSE** (National Stock Exchange), Mumbai, set up in **1992**; first fully electronic, screen-based exchange. Index: **Nifty 50** (50 shares).
- Other recognised exchange: Metropolitan Stock Exchange of India (MSE).
- All exchanges work under the rules of **SEBI**.

6 Equity, debt, derivative, index

Term	Meaning
Equity share	A unit of **ownership** in a company. The holder is an owner, may get dividends and can vote; risk is higher.
Debt instrument	A **loan** given to a government or company, e.g. bond, debenture. The holder is a **lender** and gets fixed interest and the principal back on maturity.
Bond	A debt instrument; the word is used mainly for government and public-sector borrowing. Private companies issue **debentures**.
Derivative	A contract whose value **comes from** (is derived from) an underlying asset such as a share, index, commodity or currency, e.g. futures and options.
Index	A number that shows the **overall movement** of a selected group of shares, e.g. Sensex, Nifty 50. It is the barometer of the market.

7 Mutual fund, depository, demat

- **Mutual fund:** a trust that **pools money** from many investors and invests it in shares, bonds etc. through professional fund managers. Investors get **units**; the value of one unit is the **NAV** (Net Asset Value).
- **Depository:** an organisation that **holds securities in electronic form** for investors, as a bank holds money. India has two: **NSDL** (1996) and **CDSL** (1999).
- **Depository Participant (DP):** a bank or broker through whom an investor opens a **demat account**.
- **Dematerialisation (demat):** converting **paper share certificates into electronic form**.

Key terms

16 terms

Saving: income not spent

Investment: using savings to buy assets that earn

Return: income + gain on an investment

Risk: chance of earning less or losing money

Liquidity: ease of turning into cash

Inflation: general rise in prices

Diversification: spreading money to reduce risk

Stock exchange: regulated market for buying and selling securities

Equity share: part-ownership of a company

Debenture / bond: loan to a company / government

Derivative: contract that takes its value from an underlying asset

Index: number showing the market's overall movement

NAV: value of one mutual fund unit

Depository: holds securities in electronic form

DP: agent of the depository for investors

Demat: paper shares turned into electronic form

Common mistakes and exam tips

AVOID THESE

- Saving is **not** investment: money kept idle earns little and loses value to inflation.
- Equity holder = **owner**; debenture or bond holder = **lender**.
- Depository (NSDL, CDSL) holds the shares; the DP is only its agent where you open the account.
- Sensex has **30** shares (BSE); Nifty 50 has **50** shares (NSE).
- In a return sum, add the dividend or interest received before dividing by the buying price.

A

PART A · 1 MARK EACH

Objective Questions

15 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. Which of these is an investment rather than a saving? [1]

(a) Cash kept in a cupboard **(b)** Money in a piggy bank
(c) Buying units of a mutual fund **(d)** Unspent pocket money

A2. The ease with which an investment can be converted into cash is called: [1]

(a) Return **(b)** Liquidity **(c)** Inflation **(d)** Diversification

A3. A debt instrument issued mainly by the government or public-sector bodies is usually called a: [1]

(a) Bond **(b)** Equity share **(c)** Derivative **(d)** Mutual fund unit

A4. A contract whose value depends on the price of an underlying asset is a: [1]

(a) Debenture **(b)** Derivative **(c)** Dividend **(d)** Deposit

A5. A number that shows the overall movement of a selected group of shares is called a(n): [1]

(a) Index **(b)** Coupon **(c)** NAV **(d)** Premium

A6. Converting physical share certificates into electronic form is called: [1]

(a) Rematerialisation **(b)** Dematerialisation
(c) Diversification **(d)** Listing

A7. Which is the oldest stock exchange in Asia? [1]

(a) NSE **(b)** BSE **(c)** MSE **(d)** NSDL

A8. Which pair lists the two depositories of India? [1]

(a) NSE and BSE **(b)** NSDL and CDSL **(c)** SEBI and RBI **(d)** Sensex and Nifty

A9. Asha buys a share for ₹500, receives a dividend of ₹20 and sells it for ₹540. Her return is: [1]

(a) 8% **(b)** 10% **(c)** 12% **(d)** 4%

A10. The holder of an equity share is a _____ of the company. [1]

(a) lender **(b)** creditor **(c)** part-owner **(d)** customer

A11. ASSERTION–REASON [1]

Assertion (A): A person who keeps all savings in cash at home loses value over time.
Reason (R): Inflation reduces the buying power of money.

(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. ASSERTION–REASON [1]

Assertion (A): Diversification increases the risk of an investor's portfolio.

Reason (R): Diversification means spreading money over different investments.

(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.

A13. FILL IN THE BLANK [1]

The value of one unit of a mutual fund scheme is called its _____.

A14. FILL IN THE BLANK [1]

An investor opens a demat account through a _____.

A15. TRUE OR FALSE [1]

A higher expected return usually comes with a higher risk.

B — Short Answer Questions

PART B · 2 MARKS EACH

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

B1. Differentiate between saving and investment. MUST DO [2]

B2. Distinguish between an equity share and a debenture. [2]

B3. What is a stock exchange? Name the two main stock exchanges of India. [2]

B4. What is a depository? Name the depositories in India. [2]

B5. Ravi bought 10 shares at ₹150 each. He got a dividend of ₹5 per share and sold all of them at ₹165 each. Find his total return in rupees and in per cent. [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 any four basic terms used in investment. MUST DO [4]

C2. Explain the meaning of: (a) derivative (b) index (c) mutual fund (d) dematerialisation. [4]
MUST DO

C3. Compare any four investment options on the basis of return and risk. [4]

PART D · CASE AND COMPETENCY BASED

D 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 · Meera's first investment [4]

Meera, 25, has saved ₹1,00,000. She keeps it in a savings account earning 3% a year while prices are rising at about 5% a year. Her friend advises her to put all of it into the shares of one company that rose 40% last year. Her father suggests a mix of a fixed deposit, a mutual fund and some gold.

(i) Why is Meera's money losing value in the savings account? [1]

(ii) Which investment principle does her father's advice follow? [1]

(iii) Give two reasons why putting all the money into one company's shares is risky. [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	**(c) Buying units of a mutual fund**	Only the mutual fund is expected to earn a return.
A2	**(b) Liquidity**	Liquidity = quick conversion to cash.
A3	**(a) Bond**	Private companies issue debentures.
A4	**(b) Derivative**	Its value is derived from the underlying.
A5	**(a) Index**	E.g. Sensex, Nifty 50.
A6	**(b) Dematerialisation**	Demat = paper to electronic.
A7	**(b) BSE**	BSE started in 1875.
A8	**(b) NSDL and CDSL**	NSDL (1996), CDSL (1999).
A9	**(c) 12%**	(540 – 500 + 20) ÷ 500 × 100 = 60 ÷ 500 × 100 = 12%.
A10	**(c) part-owner**	Equity = ownership.
A11	**(a) Both true; R explains A**	R explains A.
A12	**(d) A false, R true**	A is false – it reduces risk; R is true.
A13	**NAV (Net Asset Value)**	Declared every business day.
A14	**Depository Participant (DP)**	The DP is the depository's agent.
A15	**True**	Risk–return trade-off.

Short answers

Part B · 2 marks

B1. Differentiate between saving and investment. [2]

1. **Saving:** part of income not spent; kept safe with little or no return. 1
2. **Investment:** putting savings into assets such as shares or bonds to earn a return. 1

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

B2. Distinguish between an equity share and a debenture. [2]

1. **Equity share:** ownership in the company; dividend varies with profit. 1
2. **Debenture:** a loan to the company; fixed interest and repayment on maturity. 1

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

B3. What is a stock exchange? Name the two main stock exchanges of India. [2]

1. **Meaning:** a regulated market where existing securities are bought and sold through brokers. 1
2. **Exchanges:** BSE and NSE, both in Mumbai. 1

20 words · CBSE asks 20–30 words | Marking: 1 + 1 = 2 | 1 + ½ + ½

B4. What is a depository? Name the depositories in India. [2]

1. **Meaning:** an organisation that holds investors' securities in electronic form. 1
2. **Names:** NSDL and CDSL. 1

14 words · CBSE asks 20–30 words | Marking: 1 + 1 = 2 | 1 + ½ + ½

B5. Ravi bought 10 shares at ₹150 each. He got a dividend of ₹5 per share and sold all of them at ₹165 each. Find his total return in rupees and in per cent. [2]

1. **Rupees:** gain = (165 − 150) × 10 + 5 × 10 = 150 + 50 = ₹200. 1
2. **Per cent:** 200 ÷ 1,500 × 100 = 13.33%. 1

27 words · CBSE asks 20–30 words | Marking: 1 + 1 = 2 | 1 + 1 (formula and answer)

Long answers

Part C · 4 marks

C1. Explain any four basic terms used in investment. [4]

1. **Return:** income or gain earned on an investment. 1
2. **Risk:** chance of earning less or losing money. 1
3. **Liquidity:** ease of turning an investment into cash. 1
4. **Diversification:** spreading money over different assets to reduce risk. 1

33 words · CBSE asks 50–80 words | Marking: 1 + 1 + 1 + 1 = 4 | Any four, 1 mark each | MUST DO

C2. Explain the meaning of: (a) derivative (b) index (c) mutual fund (d) dematerialisation. [4]

1. **Derivative:** a contract whose value comes from an underlying asset, e.g. futures. 1
2. **Index:** a number showing the overall movement of a group of shares, e.g. Nifty 50. 1
3. **Mutual fund:** pools money from many investors and invests it through professional managers. 1
4. **Dematerialisation:** converting paper share certificates into electronic form. 1

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

C3. Compare any four investment options on the basis of return and risk. [4]

1. **Fixed deposit:** fixed interest; low risk. 1
2. **Equity shares:** dividend and price gain; high risk. 1
3. **Bonds:** fixed coupon; low to medium risk. 1
4. **Mutual funds:** return depends on the scheme; risk low to high. 1

32 words · CBSE asks 50–80 words | Marking: 1 + 1 + 1 + 1 = 4 | ½ return + ½ risk, × 4

Case-based answers

Part D

D1. Case-Based · Meera's first investment (passage printed in Part D) **[4]**

(i) Why is Meera's money losing value in the savings account? [1]

Because **inflation** (5%) is higher than the interest (3%), so the buying power of her money falls.

(ii) Which investment principle does her father's advice follow? [1]

Diversification – spreading money to reduce risk.

(iii) Give two reasons why putting all the money into one company's shares is risky. [2]

(1) Share prices can fall sharply; past gains do not promise future gains. (2) All her money depends on **one** company, so one bad event can cause a big loss.

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