# DOWNLOAD PDF FINANCIAL MARKETS BUSINESS STUDIES CLASS 12

## Chapter 1 : CBSE Class 12 Business Studies Notes : Financial Market | AglaSem Schools

*Business Studies Class 12 Revision Notes Chapter 10 Financial Market. NCERT Solutions CBSE Sample Papers Business Studies Business Studies. 1. Financial Market Financial market is a link between surplus and deficit units or in other words financial market brings together lenders and borrowers.*

Idea Cellular, the fifth largest operator in the country and the flagship telecom venture of AV Birla Group, has decided to enter the capital market to raise between Rs. The company has appointed J. However, this is a fresh issue of shares, where the proceeds will be utilised by Ideal Cellular for capital expenditure. After the proposed issues, the promoters stake will come down to around 58 per cent. It needs finance both for working capital requirements such as payments for raw materials and salaries to its employees, and fixed capital expenditure such as the purchase of machinery or building or to expand its production capacity. The above example gives a fair picture of how companies need to raise funds from the capital markets. Idea Cellular decided to enter the Indian capital market for its needs of expansion. In this chapter you will study concepts like private placement, Initial public Offer IPO and capital markets which you come across in the example of Idea Cellular. Business can raise these funds from various sources and in different ways through financial markets. This chapter provides a brief description of the mechanism through which finances are mobilised by a business organisation for both short term and long term requirements. It also explains the institutional structure and the regulatory measures for different financial markets. A financial market helps to link the savers and the investors by mobilizing funds between them. In doing so it performs what is known as an allocative function. It allocates or directs funds available for investment into their most productive investment opportunity. When the allocative function is performed well, two consequences follow: The rate of return offered to households would be higher Scarce resources are allocated to those firms which have the highestproductivity for the economy. There are two major alternative mechanisms through which allocation of funds can be done: Households can deposit their surplus funds with banks, who in turn could lend these funds to business firms. Alternately, households can buy the shares and debentures offered by a business using financial markets. The process by which allocation of funds is done is called financial intermediation. Banks and financial markets are competing intermediaries in the financial system, and give households a choice of where they want to place their savings. A financial market is a market for the creation and exchange of financial assets. Financial markets exist Financial System 1. Mobilisation of Savings and Channeling them into the most Productive Uses: A financial market wherever a financial transaction occurs. Financial transactions could be in the form of creation of financial assets such as the initial issue of shares and debentures by a firm or the purchase and sale of existing financial assets like equity shares, debentures and bonds. It gives savers the choice of different investments and thus helps to channelise surplus funds into the most productive use. You all know that the forces of demand and supply help to establish a price for a commodity or service in the market. In the financial market, the households are suppliers of funds and business firms represent the demand. The interaction between them helps to establish a price for the financial asset which is being traded in that particular market. Provide Liquidity to Financial Assets: Financial markets facilitate easy purchase and sale of financial assets. In doing so they provide liquidity to financial assets, so that they can be easily converted into cash whenever required. Holders of assets can readily sell their financial assets through the mechanism of the financial market. Reduce the Cost of Transactions: Financial markets provide valuable information about securities being traded in the market. It helps to save time, effort and money that both buyers and sellers of a financial asset would have to otherwise spend to try and find each other. The financial market is thus, a common platform where buyers and sellers can meet for fulfillment of their individual needs. Financial markets are classified on the basis of the maturity of financial instruments traded in them. Instruments with a maturity of less than one year are traded in the money market. Instruments with longer maturity are traded in the capital market. These assets are close substitutes for money. It is a market where low risk, unsecured and short term debt instruments that are highly liquid are issued and actively traded everyday. It has no physical location, but is an activity conducted over the telephone and through the internet. It enables the raising of short-term funds for meeting the temporary shortages of cash and obligations and the temporary deployment of excess funds for earning returns. A Treasury bill is basically an instrument of short-term borrowing by the Government of India maturing in less than one year. They are also known as Zero Coupon Bonds issued by the Reserve Bank of India on behalf of the Central Government to meet its short-term requirement of funds. Treasury bills are issued in the form of a promissory note. They are highly liquid and have assured yield and negligible risk of default. They are issued at a price which is lower than their face value and repaid at par. The difference between the price at which the treasury bills are issued and their redemption value is the interest receivable on them and is called discount. Treasury bills are available for a minimum amount of Rs 25, and in multiples thereof. Suppose an investor purchases a 91 days Treasury bill with a face value of Rs. By holding the bill until the maturity date, the investor receives Rs. The difference of Rs. Commercial paper is a short-term unsecured promissory note, negotiable and transferable by endorsement and delivery with a fixed maturity period. It is issued by large and creditworthy companies to raise short-term funds at lower rates of interest than market rates. It usually has a maturity period of 15 days to one year. The issuance of commercial paper is an alternative to bank borrowing for large companies that are generally considered to be financially strong. It is sold at a discount and redeemed at par. The original purpose of commercial paper was to provide short-terms funds for seasonal and working capital needs. For example companies use this instrument for purposes such as bridge financing. Suppose a company needs long-term finance to buy some machinery. In order to raise the long term funds in the capital market the company will have to incur floatation costs costs associated with floating of an issue are brokerage, commission, printing of applications and advertising etc. Funds raised through commercial paper are used to meet the floatation costs. This is known as Bridge Financing. Call money is short term finance repayable on demand, with a maturity period of one day to fifteen days, used for inter-bank transactions. Commercial banks have to maintain a minimum cash balance known as cash reserve ratio. The Reserve Bank of India changes the cash reserve ratio from time to time which in turn affects the amount of funds available to be given as loans by commercial banks. Call money is a method by which banks borrow from each other to be able to maintain the cash reserve ratio. The interest rate paid on call money loans is known as the call rate. It is a highly volatile rate that varies from day-to-day and sometimes even from hour-to-hour. There is an inverse relationship between call rates and other short-term money market instruments such as certificates of deposit and commercial paper. A rise in call money rates makes other sources of finance such as commercial paper and certificates of deposit cheaper in comparison for banks raise funds from these sources. Certificates of deposit CD are unsecured, negotiable, short-term instruments in bearer form, issued by commercial banks and development financial institutions. They can be issued to individuals, corporations and companies during periods of tight liquidity when the deposit growth of banks is slow but the demand for credit is high. They help to mobilise a large amount of money for short periods. A commercial bill is a bill of exchange used to finance the working capital requirements of business firms. It is a short-term, negotiable, self-liquidating instrument which is used to finance the credit sales of firms. When goods are sold on credit, the buyer becomes liable to make payment on a specific date in future. The seller could wait till the specified date or make use of a bill of exchange. The seller drawer of the goods draws the bill and the buyer drawee accepts it. On being accepted, the bill becomes a marketable instrument and is called a trade bill. These bills can be discounted with a bank if the seller needs funds before the bill matures. When a trade bill is accepted by a commercial bank it is known as a commercial bill. Consequently, the company has increased its authorised capital from Rs crore to Rs crore by creating an additional  It consists of a series of channels through which savings of the community are made available for industrial and commercial enterprises and for the public in general. It directs these savings into their most productive use leading to growth and development of the economy. The capital market consists of development banks, commercial banks and stock exchanges. An ideal capital market is one where finance is available at reasonable cost. The process of economic development is facilitated by the existence of a well functioning capital market. In fact, development of the financial system is seen as a necessary condition for economic growth. It is essential that financial institutions are sufficiently developed and that market operations are free, fair, competitive and transparent. The capital market should also be efficient in respect of the information that it delivers, minimise transaction costs and allocate capital most productively. The Capital Market can be divided into two parts: It deals with new securities being issued for the first time. The essential function of a primary market is to facilitate the transfer of investible funds from savers to entrepreneurs seeking to establish new enterprises or to expand existing ones through the issue of securities for the first time. The investors in this market are banks, financial institutions, insurance companies, mutual funds and individuals. A company can raise capital through the primary market in the form of equity shares, preference shares, debentures, loans and deposits.

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## Chapter 2 : NCERT Textbook Chapter 10 - Financial Market, Class 12 Business Studies | EduRev Notes

*CBSE Guide Financial Markets class 12 Notes Business Studies CBSE guide notes are the comprehensive notes which covers the latest syllabus of CBSE and NCERT. It includes all the topics given in NCERT class 12 Business Studies text book.*

Mobilization of Savings and channeling them into the most productive uses: Financial market facilitates the transfer of savings from, savers to investors and thus helps to channelize surplus funds into the most productive use. Helps in Price Determination: Provide Liquidity to Financial Assets: Thus, it provides liquidity to them so that they can be easily converted into cash whenever required. Reduce Cost of Transactions: Financial market provides valuable information about securities which helps in saving tune, efforts and money and thus it reduces cost of transactions. The main instruments of money market are as follows: They are also known as Zero Coupon Bonds. They are negotiable instruments i. The interest rate paid on call money loans is known as the call rate. They can be issued to individuals. It is a bill of exchange used to finance the working capital requirements of business firms. It is a market for long term funds where debt and equity are traded. It consists of development banks, commercial banks and stock exchanges. The capital market can be divided into two parts: The investors in this market are banks, financial institutions, insurance companies, mutual funds and individuals. It has no fixed geographical location and only buying of securities takes place in the primary market. It involves inviting subscription from the public through issue of prospectus. A prospectus makes a direct appeal to investors to raise capital through an advertisement in newspapers and magazines. It refers to the process in which securities are allotted to institutional investor and some selected individuals. It refers to the issue in which new shares are offered to the existing shareholders in proportion to the number of shares they already possess. It is a method of issuing securities through an on-line system of stock exchange. A company proposing to issue capital to the public through the on-line system of the stock exchange has to enter into an agreement with the stock exchange. This is called an e-initial public offer. It is also known as the stock market or stock exchange where purchase and sale of existing securities takes place. They are located at specified places and both the buying as well as selling of securities takes place. A Stock Exchange is an institution which provides a platform for buying and selling of existing securities. It facilitates the exchange of a security i. Providing liquidity and Marketability to Existing Securities: Stock Exchange provides a ready and continuous market for the sale and purchase of securities. This ensures safety of transactions. Contributes to Economic Growth: Spreading of Equity Culture: Stock exchange helps in educating public about investments in securities which leads to spreading of Equity culture. Providing Scope for Speculation: Stock exchange provides scope within the provisions of law for speculation in a restricted and controlled manner. Trading Procedure on a Stock Exchange: Transactions on a stock exchange may be carried out on either cash basis or carry over basis i. Dematerialization usually known as demat is converting physical certificates to electronic form. Rematerialisation, known as remat, is reverse of demat, i. Transfer of securities, change of beneficial ownership. There are four players who participate in this system. He opens the account of Investor and maintains securities records. That organization which issues the securities. This issuing company sends a list of the shareholders to the depositories. Benefits of Depository Services:

## Chapter 3 : Revision Notes For Class 12 Business Studies Chapter 10 Financial Markets

*Class 12 business studies Financial market.. Functions of financial market Money market.. Mind your own business video 24 Channel for economics.. Economics on your tips.*

Meaning of Business Finance 2. Meaning of Financial Management 3. Explain the role of financial management in an organisation 4. Type of Financial Decisions or Financial Management decisions 6. Define Investment decisions and give example 7. Types of Investment decisions 8. What do you mean by Fixed Capital? Discuss Factors affecting Fixed Capital requirement in business. What do you mean by Working Capital? What do you mean by Net Working Capital? What are current Assets? What are current Liabilities? Discuss Factors affecting Working Capital requirement in business Define Financing decisions What is financial risk? What do you mean by Flotation cost? Differentiate between Debt and Equity on basis of Cost and Risk Discuss Factors affecting Financing decisions Define Financial Planning What is process of Financial Planning? What are Twin Objectives of Financial Planning? Discuss importance of Financial Planning Differentiate between Financial Management and Financial Planning What do you mean by Capital Structure? What are two formulas to calculate Capital Structure? What do you mean by Optimum Capital Structure? Discuss factors affecting Capital Structure What do you mean by Financial Leverage? What is favourable Financial Leverage? What is unfavourable Financial Leverage? Discuss factors affecting Financing decisions Define Dividend decisions Discuss Factors affecting Dividend decisions Indirect Questions: Why or why not? Under which situation the EPS of a company falls with increased use of debt? Explain with the help of an example. How does loan components or debentures in the capital structure act as lever to raise the return on equity share capital? Explain how are the shareholders are likely to gain with the loan component in capital employed with example. How does it affect the capital structure of a company? Explain with the help of an example of favourable financial leverage. Capital structure decision is essentially optimisation of risk-return relationship. The directors of a manufacturing company are thinking of issuing Rs. This will lead to an increase. What are the risks involved in it? What factors other than risk do you think the directors should keep in view before taking the decision? You are the finance manager of a company. The board of directors have asked you to determine the working capital requirement for the company. State the factors that you would take in consideration while determining the requirement of working capital for the company. Discuss the primary objective of Financial Management. What do you mean by Financial Blueprint of Organisation? How does working capital affect both the liquidity as well as profitability of a business? A businessman who wants to start a manufacturing concern, approaches you to suggest him whether the following manufacturing concern would require large or small working capital: Debt and Equity differ significantly in terms of cost and risk. Comment Ans Capital structure policy involves a trade-off between risk and return. Therefore, the optimal capital structure is the one that strikes a balance between risk and return to achieve our ultimate goal of maximizing the price of the equity shares Wealth maximisation

## Chapter 4 : Financial Markets class 12 Notes Business Studies | myCBSEguide | CBSE Papers & NCERT

*CBSE Class 12 Business Studies Case Studies - Financial Market. ESSENTIAL POINTS TO SOLVE CASE STUDIES Financial Markets Financial market is a link between savers and investors, which mobilises savings from the households to the business firms.*

Participants The main participants in capital market are banks, financial institutions , corporate bodies, foreign investors and retail investors. The main participants are institutional investors. Investment outlay Since, the cost of securities may be low, investment can be made in the capital market can be with less capital. Since, the cost of securities may be high, investment in the money market requires huge capital outlay. Liquidity The securities in capital market enjoy good liquidity. The securities in money market enjoy high liquidity as The Discount Finance House of India works as a compulsory market maker. The issue was oversubscribed by 20 times. The company issued shares to all the applicants on pro-rata basis. Later SEBI inspected the prospectus and found some misleading statement about the management of the company in it. Identify the function and its type performed by SEBI in the above case. Protective function has been performed by SEBI in the above case. And the type of Protective function is Prohibition of fraudulent and unfair trade practices. In the light of this statement state any three features of money market. It is a market for short term funds whose maturity period is upto one year. Since the cost of securities may be high, investment in the money market requires huge capital outlay. In the first three years, it developed its business successfully. After that the composition of Board of Directors changed. This eroded investors confidence and multiplied, their grievances. Name the Apex statutory body of capital market to whom customer can complain to redress their grievances. Write two values not followed by Unicon Security Pvt. The two values not followed by Unicon Security Pvt. Truthfulness Fair practices Question 7. The securities were in physical form. She already has a bank account and does not possess any other forms of securities. She wished to sell the shares and approached a registered broker for the purpose. Mention one mandatory detail which she will have to provide with the broker. It is an export- oriented unit, dealing in exclusive embroidered shawls. The floods in the Valley have created many problems for the company. Many craftsmen and workers have been dislocated and raw material has been destroyed. The firm is therefore, unable to get an uninterrupted supply of raw materials and the duration of the production cycle has also increased. To add to the problems of the organisation, the suppliers of raw materials who were earlier selling on credit are asking the company for advance payment or cash payment on delivery. The company is facing a liquidity crisis. The CEO of the company feels that taking a bank loan is the only option with the company to meet its short-term shortage of cash. As a finance manager of the company, name and explain the alternative to bank borrowings that the company can use to resolve the crisis. Commercial Papers may be used by Squib Ltd. The instrument is an unsecured promissory note and is freely transferable by endorsement. Its maturity period may range from a fortnight to a year. It is sold at discount and redeemed at par. Sanjay Nehra was the Chairman of Taran Bank. The bank was earning good profits. Shareholders were happy as the bank was paying regular dividends. The market price of their shares was also steadily rising. Sanjay Nehra knew that the share price of Taran Bank would rise on this announcement. Being a part of the bank, he was not allowed to buy shares of the bank. He called one of his rich friends Sudhir and asked him to invest Rs. He earned a profit of Rs. Sanjay Nehra and kept Rs. On regular inspection and by conducting enquiries of the brokers involved, the Securities and Exchange Board of India SEBI was able to detect this irregularity. By quoting the lines from the above paragraph, identify and state any two functions that were performed by SEBI in the above case Answer: The two functions performed by SEBI in the given case are stated below: Regulatory function is being performed by SEBI: He called one of his rich friends Mukand and asked him to invest Rs. Mukand earned a profit of Rs. Quoting lines from the above paragraph, identify and state any two functions performed by the SEBI in the above case. Supriya opened the packet and saw many crumpled share certificates inside. Her grandmother told her that they had been left behind by her late grandfather. As no trading is now done in physical form, Supriya wants to know the process by adopting which she is in a position to deal with these certificates. Identify and state the process. Also, give two reasons to Supriya why dealing with shares in physical form has been stopped. Dematerialisation refers to the process of holding securities in electronic form. The two problems of holding shares in physical form are as follows: When the shares certificates are held in physical form, there is danger of loss or theft. There is risk of forgery, as the buyer may be delivered fake certificates. It now wants to export these coaches to other countries and decides to invest in new hi-tech machines. Since the investment is large, it requires long-term finance. It decides to raise funds by issuing equity shares. The issue of equity shares involves huge floatation cost. To meet the expenses of floatation cost, the company decides to tap the money market. Name and explain the money-market instrument the company can use for the above purpose. What is the duration for which the company can get funds through this instrument? State any other purpose for which this instrument can be used. The instrument is in the form of an unsecured promissory note and is freely transferable by endorsement. It is also used to meet the short term seasonal and working capital requirements of a business enterprise. It now wants to cater to the Asian market and decides to invest in new hi-tech machines. Incorporated in , Raju Dairy Ltd. In the initial years, its operations were restricted only to collection and distribution of milk. But, over the years it has gained a reasonable market share by offering a diverse range of dairy based products including fresh milk, flavoured yogurt, ice creams, butter milk, cheese, ghee, milk powders etc. In order to raise capital to finance its expansion plans, Raju Dairy Ltd. In context of the above case: Name and explain the segment of capital market being approached by the company. Identify the two methods of floatation used by the company to raise the required capital. Give one difference between them. Primary market is the segment of capital market being approached by the company. It is also known as the new issue market as the securities are issued for the first time by the companies through this market. The two methods of floatation used by the company to raise the required capital are â€” Issue through prospectus and Offer for sale. In case of issue through prospectus, the company approaches the members of the general public directly by issuing a prospectus whereas in case of Offer for sale, the company approaches members of the general public indirectly through intermediaries like issuing houses, stock brokers etc. In the context of the above case: State the objectives of setting up SEBI. Identify the type of function performed by SEBI by quoting lines from the paragraph. The objective of setting up SEBI are outlined below: To prevent trading malpractice in the securities markets. To protect the rights and interest of investors, and to guide and educate them. To regulate and develop a code of conduct and fair practices by intermediaries like brokers, merchant bankers, etc. To regulate stock exchanges and the securities market to promote their orderly functioning. Protective function is performed by SEBI: Harsh works as a manager in a software company. He opened a Demat account with a broking house in order to trade in securities with the money he received as his first performance bonus. Since then he has been very active in stock trading under the guidance of a stock broker. Though she told him to wait till her husband had recovered, the stock broker went ahead and executed the transactions.

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## Chapter 5 : NCERT Class XII Business Studies: Chapter 10 â€“ Financial Markets | AglaSem Schools

*Class 12 Business Studies Financial Markets have different set of questions. The questions includes 1 mark questions, 2 mark questions, 3 mark questions, 4 mark questions, 5 mark questions and other questions as per the latest CBSE curriculum for the current session.*

Idea Cellular, the fifth largest operator in the country and the flagship telecom venture of AV Birla Group, has decided to enter the capital market to raise between Rs. The company has appointed J. However, this is a fresh issue of shares, where the proceeds will be utilised by Ideal Cellular for capital expenditure. After the proposed issues, the promoters stake will come down to around 58 per cent. It needs finance both for working capital requirements such as payments for raw materials and salaries to its employees, and fixed capital expenditure such as the purchase of machinery or building or to expand its production capacity. The above example gives a fair picture of how companies need to raise funds from the capital markets. Idea Cellular decided to enter the Indian capital market for its needs of expansion. In this chapter you will study concepts like private placement, Initial public Offer IPO and capital markets which you come across in the example of Idea Cellular. Business can raise these funds from various sources and in different ways through financial markets. This chapter provides a brief description of the mechanism through which finances are mobilised by a business organisation for both short term and long term requirements. It also explains the institutional structure and the regulatory measures for different financial markets. A financial market helps to link the savers and the investors by mobilizing funds between them. In doing so it performs what is known as an allocative function. It allocates or directs funds available for investment into their most productive investment opportunity. When the allocative function is performed well, two consequences follow: There are two major alternative mechanisms through which allocation of funds can be done: Households can deposit their surplus funds with banks, who in turn could lend these funds to business firms. Alternately, households can buy the shares and debentures offered by a business using financial markets. The process by which allocation of funds is done is called financial intermediation. Banks and financial markets are competing intermediaries in the financial system, and give households a choice of where they want to place their savings. Financial transactions could be in the form of creation of financial assets such as the initial issue of shares and debentures by a firm or the purchase and sale of existing financial assets like equity shares, debentures and bonds. It gives savers the choice of different investments and thus helps to channelise surplus funds into the most productive use. You all know that the forces of demand and supply help to establish a price for a commodity or service in the market. In the financial market, the households are suppliers of funds and business firms represent the demand. The interaction between them helps to establish a price for the financial asset which is being traded in that particular market. A financial market is a market for the creation and exchange of financial assets. Financial markets exist Financial System 1. Financial markets facilitate easy purchase and sale of financial assets. In doing so they provide liquidity to financial assets, so that they can be easily converted into cash whenever required. Holders of assets can readily sell their financial assets through the mechanism of the financial market. Reducing ing ing ing ing the Cost of Transactions: Financial markets provide valuable information about securities being traded in the market. It helps to save time, effort and money that both buyers and sellers of a financial asset would have to otherwise spend to try and find each other. The financial market is thus, a common platform where buyers and sellers can meet for fulfillment of their individual needs. Financial markets are classified on the basis of the maturity of financial instruments traded in them. Instruments with a maturity of less than one year are traded in the money market. Instruments with longer maturity are traded in the capital market. These assets are close substitutes for money. It is a market where low risk, unsecured and short term debt instruments that are highly liquid are issued and actively traded everyday. It has no physical location, but is an activity conducted over the telephone and through the internet. It enables the raising of short-term funds for meeting the temporary shortages of cash and obligations and the temporary deployment of excess funds for earning returns. A Treasury bill is basically an instrument of short-term borrowing by the Government of India maturing in less than one year. They are also known as

Zero Coupon Bonds issued by the Reserve Bank of India on behalf of the Central Government to meet its short-term requirement of funds. Treasury bills are issued in the form of a promissory note. They are highly liquid and have assured yield and negligible risk of default. They are issued at a price which is lower than their face value and repaid at par. The difference between the price at which the treasury bills are issued and their redemption value is the interest receivable on them and is called discount. Treasury bills are available for a minimum amount of Rs 25, and in multiples thereof. Suppose an investor purchases a 91 days Treasury bill with a face value of Rs. By holding the bill until the maturity date, the investor receives Rs. The difference of Rs. Commercial paper is a short-term unsecured promissory note, negotiable and transferable by endorsement and delivery with a fixed maturity period. It is issued by large and creditworthy companies to raise short-term funds at lower rates of interest than market rates. It usually has a maturity period of 15 days to one year. The issuance of commercial paper is an alternative to bank borrowing for large companies that are generally considered to be financially strong. It is sold at a discount and redeemed at par. The original purpose of commercial paper was to provide short-terms funds for seasonal and working capital needs. For example companies use this instrument for purposes such as bridge financing. Suppose a company needs long-term finance to buy some machinery. In order to raise the long term funds in the capital market the company will have to incur floatation costs costs associated with floating of an issue are brokerage, commission, printing of applications and advertising etc. Funds raised through commercial paper are used to meet the floatation costs. This is known as Bridge Financing. Call money is short term finance repayable on demand, with a maturity period of one day to fifteen days, used for inter-bank transactions. Commercial banks have to maintain a minimum cash balance known as cash reserve ratio. The Reserve Bank of India changes the cash reserve ratio from time to time which in turn affects the amount of funds available to be given as loans by commercial banks.

## Chapter 6 : Chapter 10 - Financial Market (Class Notes), BST, Class 12, CBSE | EduRev Notes

*Financial Markets Series comprises of 4 Parts in which we have covered in depth the complete chapter for Commerce students of class 12th strictly as per the requirements of Class 12th CBSE Boards.*

What is a financial market? A financial market is a market for the creation and exchange of financial assets. Does Financial contribute in any development? Financial markets contribute to economic development. Name the two major components of a financial market. Money Market and Capital Market Q4: What are financial assets? Financial instruments or securities like shares, debentures, treasury bills etc. What is a money market? A money market refers to the market where borrowers and lenders exchange short-term funds to solve their liquidity needs. Expenditure incurred in issuing securities is called flotation cost. Examples are underwriting commission, advertising etc. List three advantages of money market instruments. What is zero coupon bond? It refers to a financial instrument for which no interest is paid but is issued at a discount redeemable at par. It is a treasury bill, an instrument of short-term borrowing by the Government of India maturing in less than one year. What is a capital market? It refers to a market for financial investments which are direct or indirect claims to capital. It is a place where long-term funds are mobilised by the corporate undertakings and Government. Which is referred as barometer of economy. Capital market particularly stock exchange. He wants to list his company in National Stock Exchange. Can he do so? Because to get listed in NSE, the minimum paid up capital required is Rs. Name the two componenets of capital market. Primary market and secondary market. List any three major objectives of capital market. Mobilize resources for investments ii. Facilitate process of efficient price discovery. Facilitate buying and selling of securities. List two buyers of commercial paper. Banks and Insurance companies. What is a commercial paper? It is a short-term unsecured promissory note, negotiable and transferable by endorsement and delivery with a fixed maturity period. What do you mean by Certificate of Deposit CD? It is a unsecured, negotiable short-term instruments in bearer form, issued by commercial banks and development financial institutions. Name two advisory committees set up by SEBI. Primary market Advisory committee. Secondary market advisory committee. What is price rigging? It is the manipulation of prices of the securities by companies or their agents for their own profits. Why secondary market is considered as market for second hand securities? It is because in this market existing and second hand securities are sold among investors. Name the system where there is electronic book entry form of holding and transferring the securities. What is the Benchmark index of NSE? List the segments of NSEI. Wholesale debt market and Capital market segment Q List any three major initiatives taken up by SEBI. Control over issue of capital ii. Name the two depositories operating in India.

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## Chapter 7 : Business Studies Class Ch(Financial Markets)

*1. The directors of a company want to modernise its plant and machinery by making a public issue of shares. They wish to approach stock exchange, while the finance manager prefers to approach a consultant for the new public issue of shares.*

Acronym to remember 3 functions of SEBI: Click here Direct Questions: What do you mean by Financial market 2. Explain the term Financial intermediation 3. Show the process of allocation of funds with help of diagram 4. Differentiate between Capital and money market 6. Explain five money market instruments 7. What do you mean by Zero coupon Bonds and why? Name the two types of Capital market and differentiate between them. Define Stock exchange Give meaning of Stock exchange Write a brief note on Stock exchanges in India Discuss functions of Stock exchange Explain trading procedure on a stock exchange What do you mean by Depository services What are services offered by Depository What do you mean by Depositary and Depositary Participant? What do you mean by Demat Account What are advantages of Demat Account What is reason for establishment of SEBI What are objectives of SEBI The directors of a company want to modernise its plant and machinery by making a public issue of shares. They wish to approach stock exchange, while the finance manager prefers to approach a consultant for the new public issue of shares. Advise the directors whether to approach stock exchange or a consultant for new public issue of shares and why? Also advise about the different methods which the company may adopt for the new public issue of shares. You are a finance expert. One of your friends comes to you and tells you that the capital market and the money market are one and the same, whereas you differ with him. How would you convince him? Give any four reasons. Give any four reasons in support of your answer. Priyanka opened the packet and saw many crumpled share certificates, debentures and bonds inside. Her grandfather told her that they had been left behind by her late father. As no trading is now done in physical form, Priyanka wants to know the process by adopting which she is in a position to deal with these share certificates, debentures and bonds. Mr Raman was holding 1, equity shares of Infosys Limited. To raise the funds, the company offered shares in the ratio 5: As the shares were in physical form, he contacted a depository participant to convert them into electronic form. Raman how he can sell his shares to arrange the funds Identify money market instrument. Try this worksheet Take print by - right click -save image as -print Check the post on Bulls and bears: Click here Try Crossword puzzle: Click here Explain trading procedure on a stock exchange?

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## Chapter 8 : CBSE Class 12 Business Studies Chapter 10 - Financial Markets Revision Notes

*CBSE Class 12 Case Studies In Business Studies - Financial Markets. FINANCIAL MARKET Financial Market: Definition A financial market is a market for the creation (new issue of securities) and exchange (sale of existing securities) of financial assets.*

Download revision notes for Financial Markets class 12 Notes Business Studies and score high in exams. These are the Financial Markets class 12 Notes prepared by team of expert teachers. The revision notes help you revise the whole chapter 10 in minutes. Revision notes in exam days is one of the best tips recommended by teachers during exam days. It is a market for the creation and exchange of financial assets. Functions of Financial Market 1. Mobilization of savings and channelising them into the most productive uses: Provide liquidity to financial assets: Reduce the cost of transactions: This way financial markets facilitate transactions at a very low cost. Types of Financial Markets Money Market Market for financial securities with maturity period of less than one year. The main instruments of money market are as follows: They are issued by the RBI on behalf of the Central Government to meet its short-term requirement of funds. They are issued at a price which is lower than their face value and arc repaid at par. They are available for a minimum amount of Rs. They are also known as Zero Coupon Bonds. They are negotiable instruments i. It is a short term unsecured promissory note issued by large credit worthy companies to raise short term funds at lower rates of interest than market rates. They are negotiable instruments transferable by endorsement and delivery with a fixed maturity period of 15 days to one year. It is short term finance repayable on demand, with a maturity period of one day to 15 days, used for interbank transactions. Call Money is a method by which banks borrow from each other to be able to maintain the cash reserve ratio as per RBI. The interest rate paid on call money loans is known as the call rate. They can be issued to individuals. Corporations and companies for raising money for a short period ranging from 91 days to one year. It is a bill of exchange used to finance the working capital requirements of business firms. A seller of the goods draws the bill on the buyer when goods are sold on credit. When the bill is accepted by the buyer it becomes marketable instrument and is called a trade bill. These bills can be discounted with a bank if the seller needs funds before the bill maturity. Capital Market Facilities and institutional arrangements through which long term securities are raised and invested- both debt and equity. Important component of Financial markets b. Two segments primary and secondary c. Satisfies long term requirements of funds f. Performs trade-off functions g. Creates dispersion in business ownership h. Helps in capital formation i. Provide long term funds b. Lesser outlay required as unit value of instruments is low c. Duration more than 1 year d. Higher expected returns as compared to short term securities The capital market can be divided into two parts:

## Chapter 9 : CBSE Class 12 Business Studies - Financial Market HOTs

*Chapter - 10 Financial Markets â€¢Financial Market is a market for creation and exchange of financial assets like shares, bonds calendrierdelascience.com helps in mobilizing savings and channelizing them into the most productive uses.*

Name the kind of issue in which shares are offered to existing shareholder. Give example of any two financial intermediaries. Outcry or auction system. What are the two basis on which transactions on a stock exchange may be carried out? Cash basis or Carry over basis. Give names of any two places where regional offices of SEBI is located. What is the settlement cycle in NSE. As finance Manager of the company, Suggest the name of stock exchange for the purpose. Give any 3 reasons in support of your answer. The main features of OTCEL are the following- 1 Nation-wide listing, Listing on one exchange one can have transactions with all the counters in the whole country. The rates of buying and selling can be seen on the computer screen. Give four reasons in support of your answer. They wish to approach stock exchange, while the finance manager prefers to approach a consultant for the new public issue of shares. Advice the directors whether to approach stock exchange ro a consultant for new public issue of shares and why? Also advise about the different methods which the company may adopt for the new public issue of shares. Following are the methods which the company may adopt for the new public issue of shares: Since it appears from the question that the company is an existing company as it wants to modernize its plant and machinery, the company by statute is required to offer these shares first to the existing shareholders in proportion to their holdings. If the existing shareholders do not take these shares then company can resort to other methods as given below. Under this method, the company can directly offer its shares to the public at large after issuing prospectus. In this case, an intermediary buys all the shares from the company at agreed price and offers it to the investors at a higher rate. In this case also an intermediary buys the shares from the company but offers it to only a selected few for sale. As finance manager of the company, suggest the name of the stock exchange for the purpose.