

BCM School, Basant Avenue, Dugri Road, Ludhiana

Class X

Introduction to Financial Markets (405)

Chapter – Investment Basics

ANSWER KEY

1. A savings account is an interest-bearing deposit account held at a bank or other financial institution that provides a modest interest rate like 3.5 to 4%.
2. Types Of Money Market Instruments
Treasury Bills (T-Bills) Issued by the Central Government, Treasury Bills are known to be one of the safest money market instruments available. ...
Certificate of Deposits (CDs) ...
Commercial Papers (CPS) .
Money or Liquid funds are a specialized form of mutual funds that invest in extremely short-term fixed income instruments and provide easy liquidity
3. Fixed Deposits with Banks are also referred to as term deposits and minimum investment period for bank FDs is 30 days. Fixed Deposits with banks are for investors with low risk appetite. and may considered for 6-12 months investment period as normally interest on less than 6 months bank FDs likely to be lower than money market fund returns
4. Post Office Monthly Income Scheme is a low risk saving instrument. which can availed through any post office. It provides an interest rate of 8% per annum, which is paid monthly.
5. Feature of PPF
 - Long term savings instrument with a maturity of 15 years and interest payable at annum compounded annually.
 - A PPF account can be opened through a nationalized bank at anytime during the year all through the year for depositing money.
6. Company Fixed Deposits: These are short-term (six months) to medium-term (three to five years) borrowings by companies at a fixed rate of interest which payable monthly, quarterly, semiannually or annually
7. Bonds are fixed income (debt) instrument issued for a period of more than one year with the purpose of raising capital. The central or state government, corporations and similar institutions sell bonds—A bond is generally a promise to repay the principal along with a fixed rate oi interest on a specified date called the Maturity Date
8. The Securities Contract (Regulation) Act. 1956 ISCRAI defines 'Stock Exchange' as anybody of individuals. whether or not, constituted for the purpose of assisting. regulating or controlling the business of buying, selling or dealing in securities.
9. Equity shares represent the ownership of a company and capital raised by the issue of such is known as ownership capital or owner's funds. The holders of these shares are the real owners of the company. They have a voting right in the meetings of holders of the company. They have a control over the working of the company.
10. Debt instrument represents a contract whereby one party lends money to another on predetermined terms with regards to rate and periodicity of interest, repayment of principal amount by the borrower to the lender. In the Indian securities markets, the term 'bond' is

used for debt instruments issued by the Central and State governments and public sector organizations and the term debenture' is used for instruments issued by private sector.