

Business Mathematics - 11th Class Business Math Chapter 2 Short Questions Preparation

Q1. Define perpetuity.

Ans 1: Perpetuity: An annuity is considered as to be perpetuity if each payment is made at the end of each payment period and continues for indefinite period.

Q2. Define simple interest.

Ans 1: Interest chargeable to fixed principal for every period of the deal is called simple interest.

Ans 2: Nature: Simple interest are short-term in nature.

Ans 3: Formula: Simple interest based on the following formula. $S.I = PRT$

Q3. Define annuity.

Ans 1: Annuity: The regular, fixed and periodic sequence of payment with the charging of compound interest accordingly is called an annuity

Q4. Write at least two key points of compound interest.

Ans 1: Important Key Points of Compound Interest: i) Principal keeps on charging from period to period.

Ans 2: ii) Amount of interest also keeps on changing from period to period.

Ans 3: iii) Rate of interest remains fixed for all periods.

Q5. Explain the annuity certain.

Ans 1: Annuity Certain: A financial instrument that provides a stream of payments for a predetermined number of years. An annuity certain will continue a stream of payment remitted to the annuitant's beneficiary or estate, if the annuitant dies before the payment term ends.

Q6. What is amount or maturity value?

Ans 1: Amount Or maturity: Maturity value is the amount payable to an investor at the end of a debt instrument holding period (maturity date).

Ans 2: Example: For most bonds the maturity value is the face amount of the bond. For some certificates of deposit and other

investment all of deposit and other investments all of the interest is paid at maturity.

Q7. Define Principal.

Ans 1: Principal: The amount of money that is initially lent or invested in any business deal is called the principal.

Q8. Write the name of any two field in which annuity is used.

Ans 1: Several modern businesses as given below depend on the concept of an annuity:

Ans 2: i) Business of insurance companies.

Ans 3: ii) Business of leasing companies.

Ans 4: iii) Business of goods sold on installments.

Ans 5: iv) Business of bonds or debentures

Q9. Define sum of an annuity.

Ans 1: Sum of an Annuity: The lump-sum amount to be received at the end of the annuity is called sum of annuity or amount of annuity.

Ans 2: Formulae: Following formulae are used to calculate sum of ordinary annuity and annuity due.

Q10. What are the characteristics of an annuity?

Ans 1: The important characteristics of an annuity are given as under:

Ans 2: i) There should be regularity in payment i.e., the sequence of payments may continue for finite or infinite period.

Ans 3: ii) The amount of payment is fixed throughout the term of annuity.

Ans 4: iii) The interval of time in two consecutive payments of an annuity is usually constant such as annually, half annually, quarterly or monthly etc.

Ans 5: iv) Growth rate of money remains constant throughout the term of annuity and charged compounded. The rate of interest usually mentioned on annual basis but may be compounded on half annually, quarterly or monthly basis. The interest charged compounded means the principal amount keep on change after every specific.
