

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

Q1. What is meant by interest?

**Ans 1:** Interest: Interest is just like a rent which is paid for having the use of money.

**Ans 2:** Explanation: Some corporations pay millions of rupees of interest each as for the use of money they have borrowed. We earn money on sums we have invested in saving accounts, certificates of deposits, and money market funds. We also pay for the use of money which we have borrowed for house loans, mortgages, or credit card purchases.

Q2. 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.

Q3. 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.

Q4. 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.  $S.I = PRT$

Q5. Define annuity due.

**Ans 1:** Annuity Due: An annuity is considered as to be annuity due if every payment is made at the beginning of each payment period and continue for a definite period. This annuity is also called beginning mode annuity.

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 data).

**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.

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Q7. Define ordinary annuity.

**Ans 1:** Ordinary Annuity:An annuity is considered as to be ordinary annuity if every payment is made at the end of each payment period and continues for a definite period.This annuity is also called ending mode annuity.

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

**Ans 1:** Several modern businesses as given blow 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

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Q9. Define Principal.

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

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Q10. 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.

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