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

Q1. Define annuity.

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

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Q2. 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.

Q3. Explain the annuity certain.

Ans 1: Annuity Certain:A financial instrument that provides a stream of payments for a predetermining 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. 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.

Q5. Define Principal.

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

Q6. 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.

Q7. 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

Q8. 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.

Q9. 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.

Q10. 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.