

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

Q1. 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.
- Q2. 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.

Q3. 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.
- Q4. 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.
- Q5. 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.
- Q6. 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.

Q7. 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.

Q8. 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

Q9. Define annuity.

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

Q10. Define Principal.

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