CHAPTER -7 PENSION AND ANNUITIES

Question 1
Which of the below risk cannot be addressed through pensions?
I. Life longevity
II. Inflation
III. Investment risk
IV. Early death

Question 2
With relation to annuities, explain what does "Liquidation period" refer to?
I. Period between the purchase of annuity and commencement of payments
II. Period during which insurer makes annuity payments
III. Time taken to build up the corpus
IV. Insolvency period

Question 3
Amount of annuity payable depends on which of the following:
1. Principal sum of money
2. Investment period
3. Rate of return
4. Duration of annuity payments
I. 1 and 2
II. 1,2 and 3
III. 1,3 and 4
IV. 1,2,3 and 4

Question 4
Amount of annuity payable is inversely related to which of the following:
1. Principal sum of money
2. Investment period
3. Rate of return
4. Duration of annuity payments
I. 1 only
II. 2 only
III. 3 only
IV. 4 only

Question 5
What is the basic contingency associated with pensions?
I. Mortality
II. Morbidity
III. Post-retirement income security
IV. Disability

Question 6
Which of the below best describes an ordinary annuity?
I. Equal cash flows at equal time intervals forever
II. Equal cash flows at equal time intervals for a specific time period

III. Lumpy cash flows at equal time intervals forever
IV. Lumpy cash flows at equal time intervals for a specific time period

Question 7
From the choices mentioned below, select the one that cannot be categorised as an annuity.
I. Rs. 2000 received today, Rs. 2000 received next year and Rs. 2000 received in 2 years
II. Electricity Bill
III. Car payments
IV. Mortgage payments

Question 8
In an ordinary annuity, payments are made or received ___________ of each period.
I. At the beginning
II. At the end
III. On maturity
IV. 6 months before expiry

Question 9
___________ is an annuity with an infinite life and making continuous annual payments.
I. APR
II. Amortised loan
III. Perpetuity
IV. Principal

Question 10
_____________ is a term used to refer pensions that have some level of Government administration.
I. Insurance Pension Fund
II. Public Pension Fund
III. Private Pension Fund
IV. Market Pension Fund

Question 11
Who provides public pensions?
I. State
II. Employers
III. Insurers
IV. NGO’s

Question 12
Who bears the investment risk in a fixed benefit annuity?
I. Insurer
II. Insured
III. State
IV. Risk pool

Question 13
Which among the below statements is true?
Statement I: Every pension is an annuity
Statement II: Every annuity is a pension
I. I and II are true
II. I and II are false
III. I is true and II is false
IV. I is false and II is true